

WORLD NEWS

Rambouillet talks left on sidelines

By David Buchan in Rambouillet

If today's noon deadline for the end to the Kosovo peace talks holds, 16 Serbian and 13 Albanian delegates will be free for the first time in two weeks to leave the grounds of the French presidential chateau of Rambouillet. The lid will come off the negotiating pressure cooker.

But apart from getting a chance to satisfy their Balkan appetites with something more substantial than the *cuisine minceur* provided by the Elysée caterer, it is not at all clear what the delegates will have achieved.

Their labours may make the difference between peace and renewed war in Kosovo. Or they may have no such importance, as yesterday the endgame was being played out elsewhere.

Chris Hill, the US and chief international mediator, yesterday flew to Belgrade again in a failed attempt to see Slobodan Milosevic, Yugoslav president, while Hashim Thaci, chief delegate of the Kosovo Liberation Army, was given leave from the chateau to fly to Slovenia to consult revisionist members of his own camp.

These missions underlined why it has been so difficult to turn Rambouillet into another Dayton, the Ohio air base where in 1995 the US corralled all the main protagonists in the Bosnian war and forced them to make peace.

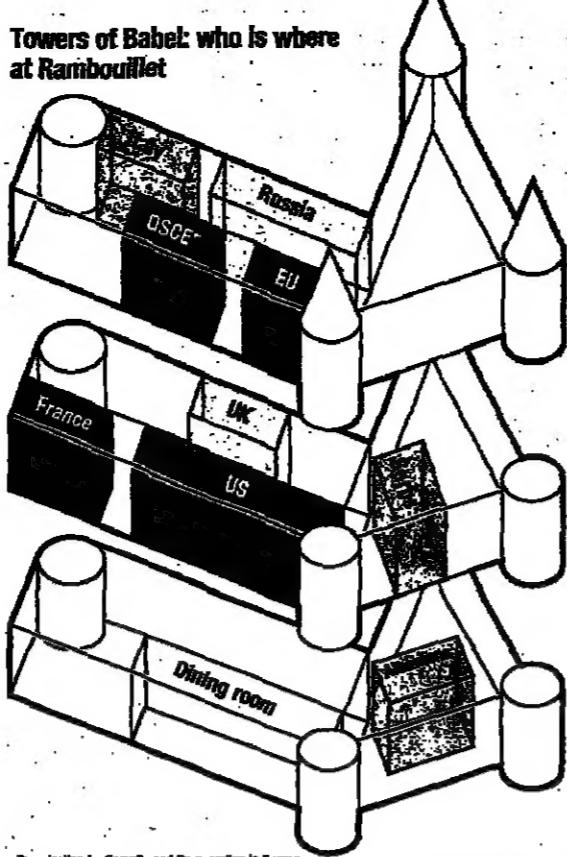
The big absentee has, of course, been President Milos-

evic. Over the past two weeks, mediators have been maintaining that the Yugoslav/Serbian delegates were senior enough and that Mr Milosevic had given them sufficient negotiating authority. But this pretence wore thin when Mr Hill first flew to Belgrade on Tuesday, and evaporated yesterday on his second mission there.

Absent, too, from Rambouillet has been the strong grip that US mediators were able to exert at Dayton. The two co-chairmen of the talks, Robin Cook and Hubert Vedrine, have worked well together, though some French officials have carped about Mr Cook sometimes taking too anti-Serb a line. Indeed, the British and French foreign ministers' relationship appears to be a good that they may make a joint visit to one or two African countries next month. But at the talks' coal face, tension has flared between Mr Hill and Boris Mayorski, the Russian mediator.

Mr Mayorski has refused to push the plan for a Nato-led peacekeeping force, which America and Europe consider as essential as any political agreement. As a result, by the end of the 12th day of negotiations no military aspects of a Kosovo deal had been formally presented to the two parties.

At earlier press conferences, Mr Mayorski seemed an amiable wisecracker. But his recent way of dealing with any journalist asking about military aspects of a



Organization for Security and Co-operation in Europe

Graphic by Steven Barnett



An ethnic Albanian mother holding her child

Reuters

NEWS DIGEST

STEP TOWARDS CIVILIAN RULE

Nigerians vote in national assembly, senate polls

Nigerians take the penultimate step on the road to establishing civilian rule when they vote today in national assembly and senate elections. There are 360 seats being contested for the house of representatives and 109 for the senate.

The vote should bring to life the country's first working legislative bodies since the military took power and suspended the constitution in a coup in 1983. An assembly functioned briefly in 1983, but was sacrificed when the military scrapped the transition and prevented a civilian government from emerging.

Today's election has been overshadowed by next Saturday's presidential poll, which Olusegun Obasanjo, the former military ruler, is contesting against a former finance minister, Olu Falae.

The three political parties have recommended that a provision be made for the swearing in of the senate president as interim head of state should the presidential poll prove inconclusive. They hope that would preclude any excuse by the military to remain in power beyond the scheduled May 29 hand-over date. William Wallis, Lagos

PETROCHEMICAL SALE

Mexican privatisation fails

The Mexican government failed in its first attempt to partially privatise a petrochemical complex yesterday when the sole interested party, Alpek, declined to make a bid.

The formal end to the sale of the Morelos complex near Mexico's Gulf Coast was expected. Alpek, a subsidiary of the Mexican conglomerate Grupo Alfa, said it pulled out because of the inflexibility of the sale mechanism, which included an unpopular 49 per cent limit on private investment. The same reason was given by another bidder, Ideas, which dropped out last month.

The 49 per cent restriction on private investment was imposed in 1986 by members of the ruling Institutional Revolutionary party, reluctant to loosen the state's grip on those parts of the petroleum sector still in the hands of Pemex, the oil monopoly.

Many potential bidders were also deterred by a global slump in petrochemical prices, although President Ernesto Zedillo stuck to his plans to liberalise the sector for almost three more years. Mr Zedillo's government is seeking constitutional reforms to allow the eventual privatisation of the electricity sector. Henry Trick, Mexico City

EU ASSISTANCE

Food aid to Russia to start soon

The European Union expects to start deliveries of food aid to Russia worth about £400m (\$451m) in the second half of next month after resolving disputes with Moscow over the quality of products and their distribution.

The food, including wheat, beef and pigmeat, will be provided free. Most will be sold at local market prices, with the money raised going into a fund for "social purposes". Some of the food could be distributed free to the needy.

The European Commission said the aid was aimed at alleviating food shortages expected in May and June. Michael Smith, Brussels

● Nineteen banks representing foreign holders of \$15bn of domestic debt (GKOs/OFZs) on which Russia has defaulted are to ask Moscow to set the deadline for accepting restructuring terms at least 28 days after firm and complete proposals are received.

But Bella Zlatkis, a finance ministry official, said in Moscow that agreement must be reached by March 1. Clay Harris, London

Turkey proposes Kurdish amnesty

By Leyla Bouliam in Ankara

The Turkish government yesterday proposed an amnesty for surrendering Kurdish rebels and promised an aid package for new schools, roads and businesses in the country's war-torn south-east.

The move came as part of a political offensive to take advantage of the capture this week of Abdullah Ocalan, the leader of the PKK Kurdish guerrilla movement, who was the country's most wanted man. Both moderate Kurds and members of Turkey's political establishment have argued that removing the grievances that fuel support for the guerrillas in the south-east may be a more effective counter-insurgency measure than wiping out the last traces of the PKK.

President Suleyman Demirel called for a new amnesty law to coax an estimated 5,000 PKK guerrillas still in hiding in Turkey and Iraq to surrender before they launched their customary spring attacks in the south-east.

Bulent Ecevit, interim prime minister until elections scheduled for April 18, also announced "an investment onslaught" in the south-east, despite the limited time at its disposal. He said ministries would work out how much to allocate to revive education, health, and local industries held back by "terrorism".

Until yesterday, the security forces had assumed the initiative. Some 4,000 troops have been sent to northern Iraq to track down PKK supporters, while the authorities have rounded up to 500 supporters of Hizbullah, a political party Ankara views as a front for the PKK.

Up to 30,000 people have died in the 15-year war between the rebels and the conscript army, which costs the Turkish state an estimated \$70m a year.

The general staff of the armed forces have also called for additional social and economic measures.

● In an interview with the Turkish Hurriyet newspaper, Mr Ecevit said Mr Ocalan was captured in Nairobi after another country informed Turkey that he was there. AP reports.

Both Madrid and London are anxious to defuse the dispute before an inaugural bilateral summit between the two EU partners in the next two months.

WORLD HEALTH ORGANISATION

Hopes for cancer vaccine

The World Health Organisation said yesterday that scientists were well advanced in developing a genetically engineered vaccine against cervical cancer, although it could take another 10 years before a vaccine becomes generally available.

Half a million new cases of cervical cancer, the second most important cancer in women after breast cancer, are identified each year and 300,000 women die from the disease, 80 per cent of them in developing countries.

The WHO said researchers were working on several different prototype vaccines to combat human papillomavirus (HPV) infection, which causes cervical cancer.

● The WHO has joined with leading organisations concerned with blindness to launch Vision 2020 - The Right to Sight, a campaign to eliminate avoidable blindness within two decades. Blindness affects 40m-45m people worldwide. Frances Williams, Geneva

SOUTHERN LEBANON CONFLICT

Beirut may seek UN debate

The Lebanese government may seek a debate in the United Nations Security Council over the fate of a village that was forcefully incorporated into Israel's self-declared security zone in southern Lebanon.

As protests mounted over Thursday's operation against the village of Arnoun, Naqib Mikati, the Lebanese minister for transport, visited the area to try to talk to the villagers, effectively cut off from the rest of the Lebanon by lines of barbed wire. "We are doing our best to free Arnoun from the Israeli prison," he said.

In a military operation carried out at night, troops erected a 3km, barbed-wire barricade around Arnoun, 500m from an Israeli military position in the Crusader-era Beaufort Castle. The action, by Israel and its proxy militia, the South Lebanon Army (FLA), has effectively annexed the largely depopulated village into the occupied border strip. James Schofield, Beirut

RUSSIAN CORRUPTION CHIEF PROSECUTOR ALLEGES EMBEZZLEMENT AND TAX EVASION AT BIGGEST CARMAKER

Avtovaz comes under investigation

By John Thornhill in Moscow

Russia's chief prosecutor yesterday confirmed his office had opened a criminal case against Avtovaz, the country's biggest carmaker, signifying a further escalation in the government's war against corruption.

The Russian media suggested the move also represented a fresh attack on the business interests of Boris Berezovsky, the controversial tycoon and self-styled oligarch, whose Logovaz business helps distribute Avtovaz's Lada cars.

The chief prosecutor's office alleged that several former and current directors of Avtovaz had been involved in embezzlement, tax evasion and foreign exchange violations. Russian

legal officers said they were confident of securing convictions, although no arrests have yet been made.

Based in Togliatti on the Volga river, Avtovaz turned out almost 600,000 cars last year, making it one of Russia's biggest manufacturers and exporters. The company has long had close ties with local and central government. One director, Vladimir Kadannikov, briefly served as the first deputy prime minister in charge of the economy in 1996.

Russia's legal authorities have been investigating allegations of corruption at Avtovaz for months. But the chief prosecutor's office seems to have been spurred into action since Yevgeny Primakov became prime minister in September.

Mr Primakov, the former head of Russia's spy service and a strong advocate of law and order, has encouraged the security services to root out corruption, which he blames for sabotaging market reforms.

He also appears to have sanctioned a widespread

investigation into Mr Berezovsky, who has long boasted of his influence within the Kremlin and his close ties to Tatjana Dyachenko, President Boris Yeltsin's daughter. When foreign minister, Mr Primakov frequently crossed swords with Mr Berezovsky in his capacity as secretary of the Commonwealth of Independent States.

Mr Berezovsky, who formerly worked as a consultant to Avtovaz, has fiercely denied any wrongdoing and has accused Russia's security services of masterminding a politically motivated campaign against him. He has even alleged that the FSB, the successor organisation to the KGB, has been plotting to assassinate him.

One senior Russian industrialist said: "The influence of the oligarchs has decreased. In fact, it has almost been destroyed. Many of their financial-industrial groups have experienced big liquidity problems since the financial crisis and Primakov has refused to do them any favours."

Mr Berezovsky, who controls several media outlets, has recently stepped up his criticisms of Mr Primakov's government, arguing it is sleepwalking into an economic catastrophe.

But Mr Primakov has been fighting to loosen the tycoon's influence over the main ORT television channel, which is 51 per cent owned by the state. Mr Berezovsky, who is also a shareholder in ORT, has been the channel's chief backer.

Crédit Lyonnais sale still on track

By Samer Iskander in Paris and Louise Keeble in San Francisco

A multi-billion-dollar lawsuit filed this week by California's insurance commissioner is unlikely to disrupt next month's privatisation of Crédit Lyonnais, the French

bush, the commissioner who launched the lawsuit on Thursday, argues that Crédit Lyonnais was responsible for the actions on which the complaint is based, since they allegedly occurred in 1991.

The bank's announcement may come as a relief for potential bidders for Crédit Lyonnais, who might have been deterred from participating in the bank's privatisation in a climate of legal uncertainty. The French government is expected to launch the privatisation early next month, by offer-

ing up to a third of the bank's capital to institutional investors.

In 1996, ownership of Altus Finance was transferred to CDR, a state-backed entity set up to clean up Crédit Lyonnais' balance sheet.

French officials said Altus Finance's legal responsibilities would be assumed by CDR, which could take legal action in France against "those responsible, if it appears that French law has been broken".

Jean-François Henin, former chairman of Altus Finance and one of the

defendants in the California lawsuit, is also under investigation in France in connection with alleged irregularities that contributed to the downfall of Crédit Lyonnais in the early 1990s.

But the state of California names both Crédit Lyonnais and Altus Finance in a suit seeking to recover "billions of dollars" of profits from Altus Finance. The profits stemmed from a junk bond portfolio acquired through the purchase of Executive Life, a US insurance company, which failed when the value of its bond portfolio

collapsed in the late 1980s.

The state is also asking for punitive damages.

Executive Life was auctioned by the state as part of a rescue plan. The winning bid came from a group of mainly French investors led by Altus Finance, which purchased Executive Life's junk bonds and set up an insurance company to take over Executive Life's policies.

The lawsuit alleges that Altus Finance and the investors secretly entered into agreements to hide the true ownership of the insurance company.

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GIBRALTAR DISPUTE MADRID ACCUSES UK OF RELINQUISHING ITS DUTIES ON TAX EVASION

By David White in Madrid

Spain alleged yesterday that it was losing Pt15,500m (£9bn, \$10bn) of revenue a year from tax evasion through the British colony of Gibraltar.

Abel Matutes, Spanish foreign minister, will demand that Britain "take control" of the situation in talks in Luxembourg tomorrow with Robin Cook, UK foreign secretary. The Spanish officials accused Britain of "relinquishing its duties" in Gibraltar.

Tomorrow's meeting is aimed at calming down the latest clash over the disputed British territory. However, the officials said Madrid was studying stronger measures to increase pres-

sure if there was no progress on discussing Spain's sovereignty claim.

Without giving details, they said these measures could go well beyond recent clampdowns at the Spain-Gibraltar frontier. It is thought they could include non-recognition of Gibraltar-registered companies.

British diplomats said the tax evasion figure seemed "wholly incredible". The UK also rejects Spanish claims that Gibraltar has failed to implement dozens of European directives, mainly affecting its financial centre.

The Spanish officials said these directives, listed in a complaint that Mr Matutes sent last month to Jacques Santer, the European Commission president, included rules on annual accounting, consolidated accounts, equity requirements and deposit guarantee provisions. They recognised, however, that some of the 61 directives on the list, based on a year-old Commission report, might have been implemented in recent months.

Gibraltarian authorities

strongly deny the charges of irregularities and money-laundering, arguing that the colony's financial regulation is on a par with the UK's.

Spain's other charges

include an estimated

Pt15,500m annual tax loss

through smuggling from

Gibraltar, which is part of

the EU but outside the customs union. It also alleges that agencies in the colony

have fraudulently sold thou-

INTERNATIONAL

GROUP OF SEVEN MEETING OF FINANCE MINISTERS AND CENTRAL BANKERS WILL HEAR WHETHER US WILL ALLOW YEN TO FALL

Tokyo looks to a weaker yen as talk grows of easy money

By Gillian Tett in Tokyo

An exchange rate of Y120 to the dollar is now "appropriate" for the Japanese economy, Taichi Sakaya, head of Japan's economic planning agency, said yesterday.

He said the EPA itself had assumed an exchange rate of around Y119 in its projections for the economy, which forecast a decline of 2.2 per cent of GDP or more in the year to March 31.

The comment is further evidence that the Japanese authorities are now deliberately trying to maintain a relatively weak yen to boost the ailing economy, in a reversal of their policy.

Investors will watch today's meeting of finance ministers and central bankers from the Group of Seven leading industrialised nations for indications of whether the US is now prepared to tolerate a new bout of yen weakness. "The yen will be defined by what levels the Americans will accept," Ken Okamura, strategist at Dresdner Kleinwort Benson, said yesterday.

The currency sank to Y120.75 to the dollar in recent days. The Bank of Japan has let the overnight call rate, the key money market rate, drop to new lows of 0.1 per cent, down from 0.25 per cent earlier this year. However, this move has partly backfired because these record low rates have persuaded many

investors to remove several thousand billions of yen of liquidity from the money markets. Total turnover in the Tokyo money market on Thursday, for example, was around Y30,000bn, compared with more than Y32,000bn at the start of the week.

As a result, some government officials believe the Bank needs to implement more radical measures to create inflation, such as purchasing more government bonds. One official yesterday said: "What this reduction in liquidity shows is that cutting overnight rates further will not help. We need to do something else."

Mr Sakaya said yesterday that long-term interest rates of around 1.8 per cent were suitable for the economy. The yield on the benchmark 10-year government bond yesterday fell to 1.785 per cent, sharply below the 2.44 per cent recorded last month. This decline comes after the government performed a striking U-turn last week, and announced that state institutions such as the Trust Fund would start buying bonds again to curb the rise in long-term rates.

FORECASTS GDP RETREATS 0.4% □ BUSINESS CONFIDENCE FALLS

German economy shrank last quarter

By Frederick Städemann in Berlin

Germany's economy contracted at the end of last year, and business confidence is worsening.

According to Bundesbank forecasts released yesterday, gross domestic product fell on a seasonally adjusted basis by 0.4 per cent in the fourth quarter of 1998, largely because of the effect on exports of the financial crisis in emerging markets.

Separately, the business climate index from the

Munich-based Ifo Institute showed a decline in expectations in January.

The index, one of the key benchmarks of sentiment in the real economy, showed a seasonally adjusted decline in expectations among west German companies from 96.5 to 96.1, based on a reference point of 100 for 1991.

Analysts said the data suggested that German growth would be lower than expected. Thomas Mayer, chief economist at Goldman Sachs in Frankfurt, called the figures "bad

start for 1999". He said if they were substantiated in official figures published early next month, growth this year was likely to be around 1.5 per cent, compared with previous forecasts of 2 per cent.

Mr Mayer said the Bundesbank figures showed Germany had been affected more strongly than other European countries by the deterioration of the global economy.

Exports declined 3.4 per cent in the fourth quarter and imports fell 0.9 per cent



Jacques Chirac, right, at IMF headquarters in Washington with the president of the InterAmerican Bank, Enrique Iglesias. The French president yesterday called for action to stabilise exchange rates

US TRADE DEFICIT GAP IN MERCHANDISE TRADE WIDER BY 25 PER CENT LAST YEAR

Americans binge on cheap imports from Asia

By Nancy Duske in Washington

The US trade deficit in goods and services surged to a record \$168.5bn in 1998, the Commerce Department said, giving new ammunition to critics of President Bill Clinton's trade liberalisation policies.

The merchandise deficit shot up by 25 per cent over 1997 to \$268bn, as American consumers snapped up cheap goods from Asia.

"Our trade [deficit] figures have soared month after month, and it seems as if nobody's minding the store," said Congressman Sherrill Brown, a Democrat who opposes most trade pacts.

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Merchandise imports from the Pacific Rim rose to \$328bn, comprising more than one-third of the \$919bn total imports. Exports of goods fell from \$67.5bn in 1997 to \$57.5bn.

"Our trade [deficit] figures have soared month after month, and it seems as if nobody's minding the store," said Congressman Sherrill Brown, a Democrat who opposes most trade pacts.

"We must take stronger

action to open markets overseas to American products."

"The basic problem is that demand overseas remains weak," said Gordon Richards, economist at the National Association of Manufacturers. "We're anticipating a massive deterioration in trade in the first quarter of the year. In the final months of the year, there is usually a seasonal improvement in trade, but this will soon be overwhelmed by

unfavourable global economic conditions."

Economists are divided over the impact of the trade deficit. Most say the US economy is benefiting from the import of cheap goods while acting as a "locomotive" for the rest of the world. But some say the large deficit symbolises a steady loss of well-paid manufacturing jobs.

The US deficit in trade in vehicles and parts reached

\$50bn last year; the deficit in cars, trucks and parts with Mexico rose to \$16.5bn, as the US car industry continued to move production south of the border.

"The nature of our trade with Mexico has been fundamentally altered," said Charles McMullan of MBG Information Services. "Our exports are growing rapidly, but they are principally exports to the free trade zones, where enormous

value is added by cheap labour and they are shipped back to the US market."

The politically worrisome trade deficits with China and Japan also widened last year, to \$57bn and \$44bn respectively.

Meanwhile the consumer price index published yesterday by the Labour Department, saw a 0.1 per cent rise in January over December, and a 1.7 per cent rise over the past 12 months.

RELIEF FOR HIGHLY INDEBTED COUNTRIES

Better terms for poor to be considered

By Robert Choi, Economics Editor

The G7 finance ministers are to discuss proposals to improve debt relief for highly indebted poor countries.

This is substantially more generous – and therefore more expensive – than the current scheme. If all eligible countries qualify for assistance on the current terms the cost in net present value terms would be \$15bn–\$16bn, although this would fall to about \$8.5bn in the likely event that Liberia, Somalia and Sudan fail to establish a good policy track record.

"We want by the end of 2000 to have all highly indebted poor countries [HIPC] on a systematic programme of debt reduction... and wipe out \$50bn of debt over the coming years," Mr Brown said.

Several G7 countries will come to today's meeting with proposals to improve the so-called "HIPC initiative", which was endorsed by the World Bank and International Monetary Fund in 1996. This aimed to reduce debt burdens to "sustainable" levels for countries with good policies.

Officials said the US was expected to propose that the IMF finance extra debt relief by selling and reinvesting about 10 per cent of its \$30bn gold reserves. The German government has abandoned its predecessor's opposition to this idea, although the Bundesbank remains reluctant.

Mr Brown's proposal would mean that the debt

available to the qualifying countries under the initiative would be equivalent to giving them a one-off payment of about \$25bn, using the standard "net present value" measure.

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Mr Brown said that extra debt relief could be provided in a number of ways. Officials said one possibility would be to reduce the ratio of debt to exports deemed sustainable to around 150 per cent from the current target of 200–250 per cent.

Very open economies for which debt is a serious fiscal burden already have more generous sustainability criteria, which Mr Brown believes could be eased further.

The chancellor also favours abolishing the second half of the six-year policy track record that countries have to establish, so that relief is delivered at the same time it is committed. But other countries believe it would be better to shorten the track record by committing relief earlier but still insisting on a three-year track record before delivery.

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this year compares with an 8 per cent rise in 1998. However, the previous Insee survey published last October was extremely negative and predicted stagnation in 1999.

The last survey was conducted at the height of worries about the Asian crisis and people were overly pessimistic, observed a leading private sector economist.

The investment mood contrasted with that of Germany and raised questions about macro-economic co-operation between the two leading economies in the euro-zone. The issue has come to the fore as members of the Schröder government in Germany press for radical measures to counteract the downturn.

The 5 per cent increase in the value of investment envisaged by industrialists

this year compares with an 8 per cent rise in 1998. However, the previous Insee survey published last October was extremely negative and predicted stagnation in 1999.

However, it has since emerged that the scale of bad loans was considerably larger than revealed at the time. Some government officials claim that the discrepancy emerged because NCB was effectively using elaborate forms of "window dressing" to flatter its accounts.

The Tokyo prosecutor's office is considering action against the management of both NCB and Long Term Credit Bank of Japan, another failed bank, over this.

US-UK 'open skies' talks fail

By Michael Spatikow, Aerospace Correspondent

The UK and US failed to reach agreement on how to liberalise their bilateral aviation accord during two days of talks which finished yesterday.

The talks in London were the first since the US walked out of negotiations in October, saying there was no basis for agreement. The two sides are trying to conclude a new agreement to replace Bermuda II, the existing accord which both sides regard as outdated.

The US has been frustrated it has not been able to conclude an "open skies" agreement with the UK, its largest aviation trading partner. Bermuda II allows only two US carriers, American Airlines and United Airlines, to use London's Heathrow airport.

The US has made the conclusion of an open skies agreement a precondition for approving the planned alliance between American and British Airways. BA and American have said since they want to phase in their alliance over four to five years.

The UK said it had told US negotiators in this week's talks that it was ready to agree a gradual movement towards full liberalisation. London said, however, it wanted British carriers to be given greater access to the US domestic market.

Japan insurers may sue ministry over lost funds

By Naoko Nakamura and Gillian Tett in Tokyo

Some of Japan's largest life assurance companies are considering suing the ministry of finance, accusing it of concealing the scale of bad loans at Nippon Credit Bank, the insolvent Japanese bank, when it put pressure on the life insurance companies to inject around Y97bn (\$83bn) of funds into the company in 1997.

The companies say the ministry also breached written pledges that NCB would not collapse. NCB was

nationalised last year, and shareholders have effectively lost all their investment.

Nippon Life, Japan's largest life insurer, which made the largest investment, yesterday refused to say whether it had received such written pledges. However, it said it was "carefully considering" whether to take legal action against the ministry.

Another life insurer said: "We were forced to invest in NCB at the time according to a formula drawn up by the authorities."

The dispute is unusual for Japan, since financial com-

panies are traditionally extremely reluctant to challenge the ministry in public.

It highlights the degree to which some traditional loyalties are crumbling in Japan, under the pressure of growing competition and the vast losses in the financial sector.

And the issue threatens to trigger fresh criticism of the ministry's past management of the financial sector, particularly since the treatment of NCB will be discussed in parliament next week.

Ministry officials insist

that "This is a very serious issue – we are going to demand that the ministry produces the documents."

NCB was the first bank to face a financial crisis since Japan embarked on deregulation.

At the time, the ministry of finance and Bank of Japan tried to solve the problems by injecting Y290bn into the bank, of which Y80bn was provided by the Bank of Japan and the rest by private financial companies.

Ministry officials insist that a recapitalisation was

the only option in 1997 because parliament had not approved the use of public money to bail out ailing banks at that time.

The life assurance companies were initially very reluctant to take part. However, the ministry encouraged them to inject the funds, and allegedly provided written pledges to some companies that they would not let NCB fail. The ministry also promised on the basis of its own inspection that NCB's bad loans were relatively small. The ministry has refused to com-

ment on whether it provided guarantees in 1997.

However, it has since emerged that the scale of bad loans was considerably larger than revealed at the time. Some government officials claim that the discrepancy emerged because NCB was effectively using elaborate forms of "window dressing" to flatter its accounts.

The Tokyo prosecutor's office is considering action against the management of both NCB and Long Term Credit Bank of Japan, another failed bank, over this.

"If all those promises are delivered, we will be able to put most of this ugly saga behind us, and the focus will turn back to what's really important – the Games and the athletes."

And if the promises are not delivered? (Some IOC members are reported to be unhappy with the planned reform of the bidding process and may vote against it.)

Mr Payne accepts this could be a problem, and admits some sponsors have asked him if the IOC has a contingency plan in the event of defeat at the special session. "We told them: 'No, we don't, because there isn't an option. It will be done'."

IOC faces marathon task of reassuring sponsors

By Patrick Harvie in London

With the waves from the Salt Lake City corruption scandal still crashing into the shores of the International Olympic Committee, the man responsible for raising the \$1.5bn in sponsorship money for the summer and winter Games is trying not to sound like King Canute.

"Eventually, and it won't be overnight, the Olympic movement should be able to come out of this much stronger," says Michael Payne, director of marketing at the IOC and the man who has been holding the hands of worried sponsors during the biggest crisis to hit the IOC.

"No sponsor has withdrawn and no sponsor is withdrawing," he insists. He is right, but then the sponsors, including the 11 corporations which pay about \$50m each for the main worldwide Olympic sponsorships, have no choice but to stick with the IOC until 2002. "They are all very much locked in," he admits.

However, at least one

sponsor is John Hancock,

and even claims that some

of its big corporate partners

have been unhappy with the

US group's outbursts.

What the sponsors want now is for this issue to be out of the media. They want it fixed, and some reassurance it isn't ever going to happen again," he says.

Everything depends on the extraordinary IOC congress on March 17-18, when changes to the bidding process, internal reforms at the IOC and expulsions of members will be voted on.

The key to it all will be the special session in March," says Mr Payne.

"What we have said to sponsors is one, we will clean house, whatever it takes; two, we will institute major reform; and three, we will make some operational and

ASIA-PACIFIC

MEASURES TO BOOST ECONOMY BUSINESS TAX ON BANKS CUT AND RESERVE REQUIREMENTS EASED.

Taiwan moves to bolster banking sector

By Marc Dickie in Taipei

Taiwan yesterday moved to bolster its banking sector and shore up its slumping securities markets by cutting taxes, easing reserve requirements and loosening curbs on foreign ownership.

Officials said the measures would boost banking sector profits by an estimated

T\$41bn (US\$1.2bn) a year and would allow foreigners to buy up to 50 per cent of the shares in listed companies, up from 15 per cent.

Taiwan's overcrowded banking sector is considered a weak link in an economy that has struggled off the effects of Asia's economic crisis but shown signs of strain in recent months.

In the first salvos in a government campaign to boost growth in the newly-begun Year of the Rabbit, the Ministry of Finance said it would cut the business tax on banks to 2 per cent from 5 per cent and scrap the 0.1 per cent transaction tax on corporate bonds. In addition, the central bank announced a reduction in reserve

requirements for commercial banks.

Both institutions made clear that they expected banks to use the resultant profits to write down bad loans and that they would push for mergers to improve the health of a sector that has seen profits buckle under the burden of bad loans, a slide in securities

and property markets and fierce competition.

"The central bank will co-operate with the finance ministry to actively carry out financial restructuring," said Fergie Fa-nan, central bank governor.

President Lee Teng-hui used his lunar New Year's Eve address on Monday to call for economic and finan-

cial reform, a task given extra political prominence by the mauling Taiwan's markets received in the just-ended Year of the Tiger.

The Taipei stock market fell 21.6 per cent in 1998 and has lost a further 9.7 per cent so far in 1999.

The slump has deepened gloom over the economy, which grew 4.8 per cent in

China starts to face up to rising crime problem

Official disclosure of disorder is unusual but authorities are being forced to address public anxiety. James Harding reports

Not long after a convoy of 21 transport trucks headed out of collieries around Datong in northern China last year, they were stopped by five highway robbers armed with guns and knives. The attackers killed one man, severely wounded several others and made off with about RMB100,000 (\$12,000) in cash.

At about the same time, the depressed mining city in the coal-producing province of Shaanxi, was shaken by another, even more shocking crime.

Three men abducted two local primary school students. The kidnappers demanded a ransom of RMB1m to be paid by their victims' parents.

Whether any money was ever paid is unclear from local media reports. But the men ended up murdering the children.

In both cases, the criminals allegedly involved have been arrested, the government-controlled press has confirmed the crimes and the police have launched a crackdown to calm public anxiety over what they admit has been "a state of chaos" in Datong.

Such official disclosure of disorder is unusual, but the incidents are by no means isolated. Violent crime is on the increase in China.

In poorer provincial towns and cities, in particular, highway attacks, armed rob-

beries, kidnappings and murders may still be significantly lower than in other parts of the world, but they have become a much more common feature of life in a country with a slowing economy and a rising number of unemployed.

Chinese police investigated 22 per cent more cases of crime in the first nine months of 1998 than in the same period the previous year according to a report this month by a government think-tank that attributes a growing crime rate to higher levels of joblessness and the widening income gap.

The country was shaken by a record 2,500 explosions, according to the annual White Paper on social issues produced by the Chinese Academy of Social Sciences (Cass). Murder cases have increased by nearly six per cent to 21,000. The Ministry of Public Security reported last month that 442 police officers died and 7,735 were injured while on duty last year.

There have been seven confirmed bombings in China since the beginning of the year, which together have killed 33 people and injured more than 100. Police have generally declined or been unable to explain the motives behind the blasts.

The government think-tank noted the social tensions caused by the growing numbers of redundant work-



Crime crackdown: Chinese police publicly parade a suspected robber

ers – either labourers from state-owned factories or migrants who have flocked to the city from the countryside.

By last September, there were 10.7m such dismissed workers and 17m surplus rural workers, the report said.

In Taiyuan, the capital of Shanxi province, for example, where the economy is struggling to cope with the restructuring of the coal industry and the decline of state-owned industries, Mr

Fu, a former coal-truck driver, said he estimated unemployment at 40-50 per cent. China's official jobless rate is 3.5 per cent, but economists generally agree that the government figure considerably underestimates the true levels.

The levels of violent crime appear to have been particularly high in urban areas in China's poorer, inland provinces.

Last month, four masked gunmen stormed into a shop in Wuhan, the industrial city

on the Yangtze river in central China, and stole RMB3m worth of jewellery. As they made their getaway, the robbers fired on a crowd of people, killing one person and injuring seven.

The local police have since offered an unusually high reward of RMB200,000 for information leading to their arrest. The four men are thought to be part of a criminal gang that has committed robberies in the central Chinese cities of Chongqing and Changsha.

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There is concern about Nepal's large number of women smokers, most of them living in villages scattered across the Himalayan hinterland where health-care is primitive.

The promotions on television offered a wide range of themes – from the "Marlboro Man" to one which tried to capitalise on nation-

wide sentiments with images from history, pegged to a sales pitch that said "My Nepal, My Pride".

Three Nepal companies compete with foreign producers to sell about 15 main cigarette brands. The cheaper brands come without filters and experts say these cause most damage to smokers – mainly the poor.

The beers sold in Nepal include licensed brands of European, Asian and Indian brewers. Among them are Carlsberg and Tuborg from Denmark, San Miguel from the Philippines, Kingfisher from India and Singha from Thailand.

The alcohol content of beer does not have to be disclosed on labels and some brands are said to be "extra strong".

"Here beer is not used as a mild drink," says Mr Pokhrel. "Many people drink beer as a substitute for hard liquor, that is why beer advertising was also banned." Together, tobacco and alcohol advertising account for about 40 per cent of Nepal's advertising revenue.

Cigarette promotions and sponsorships comprised roughly one fifth of state-run Radio Nepal's advertising income.

Nepal levies an extra "health tax" on tobacco and alcohol products that brings the exchequer about \$2.5m annually.

Asean firm over stance on Burma

By Ted Berndsen in Bangkok

The Association of Southeast Asian Nations (Asean) is determined to include Burma in next month's scheduled meeting in Germany between foreign ministers from the grouping and the European Union, virtually ensuring that the meeting is cancelled.

S. Jayakumar, Singapore's foreign minister, said after meeting Win Aung, his Burmese counterpart, that Asean "had to adhere to the principle of non-discrimination on the question of participation of Asean countries in bloc-to-bloc meetings with the EU". This follows a similar statement by Indonesia on Thursday.

Senior Burmese officials are banned from receiving visas to EU countries, a ban that is part of a series of European sanctions against Burma enacted to punish the country's military junta for its systematic violation of human rights and lack of political freedoms.

EU diplomats have said they were unwilling to offer a visa to Mr Win Aung for next month's meeting unless the junta made some type of "humanitarian" gesture. The regime immediately released two high-profile political prisoners. At the same time it has refused to deny reports that as many as 270 new political prisoners have been sentenced to long jail terms since December of last year.

Last month a meeting of officials from Asean and the EU was cancelled for the third time over disagreements on Burma's role in such a meeting. The meeting was set to discuss implementation of a number of joint programmes of EU technical assistance to the region, programmes worth several million dollars. Burma had been repeatedly warned by its "dialogue partners" that admitting Burma to Asean in 1997 would have negative consequences for the organisation's diplomatic relations.

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BRITAIN
INTERNATIONAL ACCOUNTING FTSE 100 FINANCE DIRECTORS BELIEVE UK RULES ARE SUPERIOR

EU standards plan alarms companies

By Jim Kelly,
Accountancy Correspondent

The UK's leading companies are concerned at Brussels' proposals to impose international accounting standards on listed companies in London in an effort to forge European economic and monetary union.

The One Hundred Group, comprising the finance directors of the FTSE 100 companies, said yesterday: "We would view with concern

any imposition of such standards on UK companies, as we believe that in a number of areas they are not as good as UK rules."

Chris Pearce, finance director of Rentokil and chairman of the group, said that finance directors would be making their views known to the Department of Trade and Industry when it publishes documents as part of its review of company law shortly.

Finance directors largely

believe that UK rules are superior to the international codes and dislike several specific standards which, if adopted, would hit reported earnings and introduce volatility into reported profits.

The European Commission has told EU finance ministers that its preferred option for accounting in the single market is that listed companies should be "obliged" to follow international accounting standards.

The DIT is meanwhile pre-

paring to use its company law review to ask whether UK law should require or permit companies to follow international standards.

The UK's position is unique. It supports international standards - and contributes to writing them - but requires UK companies to make full provision to be made for deferred taxes - hitting earnings because the tax charge is higher.

They also require pension costs to be calculated using market-based values rather

than actuarial assumptions. This can introduce volatility when the markets move.

- They do not allow companies to preserve on their balance sheets elements of purchased goodwill - the difference between what a company costs and the value of its net assets.

- The International Accounting Standards Committee, the body that writes the international guidelines, has just published a standard on derivatives.

Canadian group to enlarge Belfast airport

By Michael Skapinker,
Aerospace Correspondent

Bombardier, the Canadian aerospace group, is to invest £30m (\$45m) in building a terminal and other facilities at Northern Ireland's Belfast City airport.

Bombardier said the investment was needed because the number of passengers using the airport had grown from 85,000 in 1993 to 1.3m last year.

The airport, which operates from partly prefabricated premises, handles 45 per cent of scheduled air services between Northern Ireland and the rest of the UK.

John Doran, the airport's director, said: "We believe that demand for air travel within and between Ireland and Great Britain will remain strong, and particularly so if political progress continues."

The terminal will be built about 800m east of the existing facilities. Construction will begin in the spring, with work expected to be completed in 12 months.

Bombardier, the world's third biggest civil aerospace manufacturer, acquired the airport when it bought Short Brothers, the Northern Ireland aerospace and defence group, from the UK government in 1989.

Until Short Brothers was privatised, the government regarded the airport as being in competition with Belfast International, which was also state-owned, and made little investment in it.

Belfast International is now owned by THL, the airports and property group.

Unlike Belfast International, Belfast City does not provide international flights.

However, many Belfast City passengers fly to other airports within the UK to make international connections.

Belfast City has benefited from its central location, while Belfast International is a 40-minute drive from the city centre.

Bombardier said that, after the new terminal was completed, it would invest in improved transport links, including the possible building of a railway station.

James Stewart, Bombardier's vice-president for finance, said the investment would give Belfast City "all the facilities of a world-class regional airport, adding: "It will significantly improve services for air travellers and provide a suitably impressive gateway to Northern Ireland."

NEWS DIGEST

GLOBAL COMPETITION

US electronics group to close Scottish factory

AMP, the electronic component maker based in Harrisburg, Pennsylvania, is to close its plant at Port Glasgow, western Scotland, by the end of the year. AMP, which makes interconnection devices for electronic and electrical products, is reorganising its UK production as part of a global profit improvement plan. Production will be moved to several countries including England. The plant, which opened in 1956, supplies connector plugs and chip holders to computer manufacturers in several countries. Tony Gait, managing director of AMP of Great Britain, said: "We know that our company must change in order to remain competitive and to secure its future in a market where price erosion and globalisation are having an ever increasing impact." James Buxton, Edinburgh

ROMAN CATHOLIC CHURCH

Split with Vatican on Pinochet

A split opened yesterday between the Vatican and the Roman Catholic church in England after the Pope lobbied on behalf of General Augusto Pinochet, the former Chilean dictator facing extradition from the UK to Spain. The Vatican, which wrote to the UK government after a request from the Chilean administration, said it wanted to see "national reconciliation" in Chile. A UK government official said the Vatican letter to Tony Blair, the prime minister, expressed concern at the implications for Chile's fledgling democracy if Gen Pinochet was prosecuted outside his native country for alleged crimes against humanity. But the office of Cardinal Basil Hume, head of the Roman Catholic church in England and Wales, said yesterday he stood by his December statement: "There are some actions such as torture or genocide that are so wrong that no one who commits or authorises them should have total immunity. They should be made accountable for their actions," he said at the time. FT World News staff

GERMAN MANUFACTURER

Factory relocated - literally

A complete factory been was loaded into 120 trucks and shipped from Germany to England in an unusual example of UK manufacturing fighting back against economic difficulties. Dana, a US company that is one of the world's biggest axle makers, is to restart the plant in the northern England city of Leeds this year. It will produce £10m (\$16m) of components annually, 90 per cent of which will be exported. The plant was previously run in Kassel by Thyssen, the German steel and engineering giant that is in the throes of a merger with Krupp, another big German company. Thyssen decided to shut the operation last year, calculating it could not be run at a profit because of high German labour and energy costs. Peter Marsh, London

ROYAL AUTOMOBILE CLUB

Judge rejects members' action

A judge in London yesterday dismissed one of the five legal actions launched against the Royal Automobile Club by dissatisfied members, clearing one of the obstacles to the disposal of its motoring services arm. The case was brought by members outside the UK seeking to block the disposal of RAC Motoring Services. But non-UK and retired members, as well as a group in the US, are still pursuing separate claims to be included in a pay-out of up to £35,000 (\$57,050) each from the proceeds of the disposal. The dispute centres on the RAC's decision to restrict the payout to full members of its two clubs in southern England. The RAC agreed to sell its motoring services for £450m to Cendant, a US business services group, but this was in effect blocked this month by the UK competition authorities. Charles Batchelor, London

Language becomes a barrier to securing export deals

Businesses may be losing trade because of a failure in communication, says Sathnam Sanghera

Imagine you are a company trying to push through a vital deal with a French partner. "Ca va faire un malheur," says your Parisian counterpart during the negotiations. Your heart sinks and you panic. You remember from school lessons long ago that "malheur" means misfortune, sorrow, hardship. He thinks our product is no good, you think.

However, the phrase actually means "it's going to be a big hit". In the meantime you have jeopardised the whole deal by telling your French partner that he doesn't know what he's talking about.

Situations like these are common. "Approximately one British exporter in five has experienced a language barrier and about one in eight has lost business as a result," says Professor Stephen Hagen, who has edited a book called *Business Communication Across Borders*.

The study, which collates research from across the European Union, makes depressing reading for British exporters. One survey found that in terms of fluency in another language the British are bottom of the European league. Only 14 per cent of respondents claimed to speak another language to a very high standard, whereas the average



Trade minister Brian Wilson (left) demolishes a symbolic language barrier at the launch of the National Languages for Export Campaign, at the Eurostar train terminal in London. With him is Trevor McDonald, the campaign chairman

for Europe is 26 per cent.

This figure looks particularly bad when it is noted that more than 60 per cent of UK exports go to traditionally non-English speaking markets. Furthermore, the UK has the highest cross-border merger and acquisition activity in Europe.

The UK government recognises the severity of the problem and is seeking to improve things through its National Languages for Export campaign. Launching this year's campaign awards, Brian Wilson, the trade minister, said: "Failure in the ability to communicate effectively will increase export markets in Europe, Latin America and Asia means that for many British firms more than a quarter of their potential revenues are at risk."

The Confederation of British Industry, the country's biggest business lobby, is also concerned. "Language skills are useful to all

employees, but they are particularly important at the European managerial level where people have an essential need to communicate well," it said.

Prof Hagen says having English as a mother tongue can be a double-edged sword: "It is the most widely used

language in the world, but it also puts people into believing that it suffices for all occasions throughout the world."

In fact, even using English when dealing with countries such as the US and Canada is not a guarantee against misunderstanding. A 1996 UK government language study found 19 per cent of UK companies had experi-

enced linguistic problems using British English as opposed to international English. At times their counterparts could not understand their accent or particular Britishisms such as "she took a butchers at it" (rhyming slang: butchers is short for butcher's hook).

The British are bottom of the European league for fluency in languages, a survey indicates

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But Prof Hagen found that it is not these larger companies that have biggest problems. Particularly affected are companies that have less than five years old, have between 11 and 250 employees, and have managing directors over the age of 50.

John Bugeja, head of corporate business development at National Westminster bank, thinks the UK needs to

redress this problem with a more energetic attitude towards language training.

"We urge our corporate customers to actively develop their language skills," he says. "Sometimes they may think they have negotiated a good contract with a non-English client, but they in fact have terms which reduce profits considerably."

RACE RELATIONS MEDIA ACCUSED OF RUINING THE LIVES OF PRIME SUSPECTS IN LAWRENCE MURDER CASE

Killers of black student 'were not our sons'

By Simon Buckley,
Social Affairs Correspondent

The report comes after a long and emotional public inquiry.

Sir Paul Condon, commissioner of the Metropolitan Police and therefore police chief for all of London apart from the City financial district, told the inquiry he accepted that racial prejudice was widespread, but pleaded for the final report not to brand his force as suffering from "institutional racism".

The Lawrence case has become the most significant event in British race relations since the riots in the south London district of Brixton in 1981. Then, street fighting erupted in protest at allegedly insensitive police

treatment of ethnic minorities. This led to what mounting a libel suit would cost £500,000 (\$815,000). They argued that if the five men's safety and a fair hearing could be guaranteed, they would be prepared to testify in any libel suit against the newspaper.

The Daily Mail yesterday said it "would welcome the opportunity to establish the truth in a court of law about this terrible crime and why Stephen's killers are still at large".

Heads of the police force, said one. "We are not racists, any of us." She was asked about a tape of the man, filmed after the murder by police surveillance cameras, which showed one of the men wielding a knife, demanding how to stab a black man. She responded: "Well I don't think it did suggest violence at all. It was playing, acting."

Peter Bottomley, the Conservative MP who in 1993 represented the district where the murder took place, yesterday defended the Daily Mail's "legitimate journalism" and asked:

"When will they [the five] explain why they refused to answer questions at a corner inquest on the grounds that it might incriminate them?"

However, the mothers insisted their sons "have nothing to do with the murder of Stephen Lawrence".

"We think it's political," said one. "We are not racists, any of us." She was asked about a tape of the man, filmed after the murder by police surveillance cameras, which showed one of the men wielding a knife, demanding how to stab a black man. She responded: "Well I don't think it did suggest violence at all. It was playing, acting."

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COMMENT & ANALYSIS

FINANCIAL TIMES

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Saturday February 20 1999

The perversion of science

It is an ancient story. The fascination and dread of science goes back to the myth of Prometheus, the Titan tortured for bringing mankind fire. In more modern times, the poet William Blake expressed a nameless fear that could be the leitmotif of many pressure groups: "Science is the tree of death."

The latest explosion of anxiety in the UK over the supposed dangers of genetically modified organisms is but the latest of such scares. From questions of nuclear safety to the purity of oceans or climate control, western democracies have become vulnerable to the half-truths and pseudo-science peddled by some lobby groups.

The reasons may be rooted deep in cultural history. As science eroded the authority of the church, it failed to provide equivalent certainties or emotional support – at least for many people. This may seem far from the question of whether weeds might acquire the resistance to herbicides of genetically modified soya. But much of the public debate is not being conducted on these terms. Organisations such as Greenpeace and Friends of the Earth have long understood the power of icons, imagery and suggestion in manipulating the general mood. They have too often been contemptuous of facts and dishonest in their use of scientific findings.

News media have helped stir the brew, for example by printing faked pictures of "genetically modified" sweet corn with a fish's head. Such absurdities can have powerful effects, which the governments and sober scientists cannot easily counter.

Yet an effort must be made to rescue the overall scientific debate from a Babel of confusion, for two reasons. First, the public policy issues are of great importance. They range from the future of nuclear power in Germany to world trade in food products and advances in genetics that might yield benefits for medicine as well as food production. Second, there are genuine dangers in all these technologies that require careful assessment. Fire kills as well as warms.

Robust answers

What can be done? Certainly politicians have a lot to learn about countering silly claims with robust answers. As Sir Robert May, the UK government's scientific adviser showed this week, a vivid metaphor can sometimes be more telling than a file of figures. Mixing arsenic with a gin and tonic, he said, might kill you, but this does not

Letters to the Editor

Stupefied by Barclays chief's 'package'

From Sir Ian Lloyd

Sir, Figures are occasionally reported that provoke a suspension of belief in the free enterprise system. I imagine I am not alone in reacting with stupefaction to the announcement that the new chief executive of Barclays Bank is to receive a "package" of £7m (\$11m).

Doubtless the Barclays board will proclaim that this is the "market rate" for exceptional skills, and if Michael O'Neill recovers the £250m lost on its Russian loans he will be worth his remuneration. But other considerations arise when the so-called market generates such grotesque incomes. Can it possibly be suggested that the chief executive of any bank justifies remuneration at least 50 times that of the UK prime minister, or that his responsibilities are to that extent proportionately greater?

Moreover, if Mr O'Neill should fall will he be compensated by a seven-figure sum to top up the seven-figure "retirement" income negotiated with his previous employers? His "package" also

includes a "transatlantic location allowance" amounting to £175,000, sufficient to charter Concorde for his family and a container ship for his chattels and effects.

Remunerators should certainly reflect both skill and scarcity, but these criteria cannot justify figures that are as offensive and damaging to social cohesion as the lifestyles of aristocrats in pre-revolutionary France. Boards that fail to consider the wider effects of their actions have only themselves to blame if public reaction becomes hostile, and

Anonymous captain, happy ship

From H. Ball-Wilson

Sir, May I express my sincere appreciation for the editorial "Banking on superman" (February 13-14), and specifically for the statement: "Indeed, some of the best managed and most durable of the world's big businesses have a positively anonymous executive style."

Leadership by example, at each level in an organisation, pro-

motes, customers and shareholders begin to ask embarrassing questions about branch closures, interest rates and other charges.

Finally, their actions suggest that there is not a single individual in Britain with the requisite skills – an unwarranted slur on the reputation of the City of London.

Sir Ian Lloyd,
Bakers House,
Priors Dean,
Peterfield,
Hants GU32 1BS, UK

duces a "happy ship" instead of a battleground, and results in efficiency even beyond expectations. The UK prime minister Ted Heath's three-day working week in the '70s clearly proved this fact by achieving five days' production in three days.

H. Ball-Wilson,
2345 Ala Wai Blvd., #2714,
Honolulu, Hawaii, US

No wonder euro-banking fees make headlines

From Mr Marco De Andreis

Sir, In your editorial "Euro banking" (February 17) you list several types of foreign exchange costs banks bear. Had you added that euro-zone central banks charge euro-zone foreign notes into local currency notes free of charge, your list would have had only one item: "the cost of carrying inventory of foreign notes". But I doubt it can justify the

per cent fee I had to pay last week to change £10,000 into Spanish pesetas at the Argentaria branch of the Barcelona airport. No wonder euro fees are making headlines.

Finally, all agree that banks in the euro-zone no longer bear what you call "the cost of managing exchange-rate risk". Cost? Risk? European banks used to make some \$5bn a year of profit

from cross-border money transfers. Can this hefty profit not help explain why euro banking is so reluctant to share with its customers the cost-free, risk-free, placid atmosphere brought by the euro on January 1?

Marco De Andreis,
European Commission,
rue de la Loi 200,
B-1049 Brussels, Belgium

from cross-border money transfers. Can this hefty profit not help explain why euro banking is so reluctant to share with its customers the cost-free, risk-free, placid atmosphere brought by the euro on January 1?

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B-1049 Brussels, Belgium

Easy money

Britain's high street banks are extremely profitable – and widely criticised for their poor performance. What's going on? asks George Graham

In the money

Market capitalisation (£bn, Feb 1999 figures)

	£bn
Lloyds TSB	73.11
HSBC	64.51
UBS	58.68
Credit Suisse	37.05
Barclays	31.54
NatWest	23.07
Baileys	27.56
Ashley National	27.35
BBVA	27.33
Deutsche Bank	25.60

Return on equity (%) 1997 figures)

	%
UK	15.6
Spain	14.5
Netherlands	10.9
Germany	10.1
Switzerland	9.8
France	7.1
Italy	7.1

Sources: Datastream, BZW, Merrill Lynch

their investment. All the same,

losses over the course of the economic cycle at around £700m. Last year, excluding its Russian losses, it set aside just £330m of bad debt provisions.

To some extent, British banks are benefiting from luck and good macro-economic management, rather than from their own efforts. On most economic forecasts, the luck is set to hold. Even if the UK sinks into recession this year, few economists expect the severe conditions that will drive small businesses into bankruptcy or homeowners into default on their mortgages.

Many bankers go further. "I believe we are in for an extended period of low inflation and possibly deflation, with, presumably, low interest rates and rather low worldwide growth," said one

banker. But British banks have not merely floated passively on the macro-economic tide. The other side of their profitability reflects a interplay between competition, technology-based efficiency gains, and customer inertia.

Banks have become more efficient over the past decade, stripping out costs via new computer systems and telecommunications networks have enabled them to set up industrial-scale processing plants for tasks that used to be handled by clerks in the back of each branch. Clearing cheques is the most obvious example.

Few banks believe they can do without their branches. Customers of First Direct, the successful branchless telephone bank set up by the HSBC group, are a self-selecting minority, and most banks are convinced that whole-sale branch closures would lose them customers. But branches are expensive to run, and the net-

work has been whittled down from a peak of 21,800 branches in 1985 to around 15,000 today. Each branch, too, has fewer staff.

Customers rarely love their

banks, and one of the most frequent complaints is the disappearance of the human touch in the bank branch. Yet it has to be said that customers have reaped

most of the benefits of the banks' efficiency gains.

And then there are interest rates. Credit card rates charged by the biggest traditional banks remain above 30 per cent, whereas the newer card issuers typically charge between 13 and 19 per cent. US card rates average just above 13 per cent.

Meanwhile, two weeks after the Bank of England cut money market rates to 5.5 per cent, most customers of the biggest mortgage banks are still paying 7.45 per cent on their home loans. In the US, a standard adjustable rate mortgage costs just half a percentage point more than the Fed Funds rate.

This does not add up to a charge of usurious exploitation, but it does suggest there is plenty of fat.

The fact is that customers get the banks they deserve. Competition in financial services did not begin with the arrival of these newcomers – the traditional high street clearing banks have been steadily losing market share, notably to building societies, since the 1980s. Yet the British consumer remains more likely to swap spouse than bank.

While that inertia prevails, the UK's traditional banks will get away with interest rates that are merely good enough, and not necessarily have to match the best in the market. With such undemanding customers, Mr Buxton's successors and their opposite numbers at the other leading banks could have years of fat profits ahead of them.

All the
good that's
fit to eat

W

Oil in

W

Ration space via take-off and landing fees

From Mr Ken Niemi

Sir, The discussion of the problem of growing demand for air travel facing local restrictions on airport expansion is certainly of global interest ("Open skies land politicians with an airport dilemma", February 13-14). A key point left out of the discussion by Michael Shapinster was the use of landing and take-off fees to ration very limited space during peak times as efficiently as possible.

Specifically, if these fees were increased substantially during peak times and decreased during off-peak times, the effect would be that only the largest planes would be used by airlines during the peak times and there could be fewer take-offs and landings, reducing noise and airport congestion.

At airports such as San Francisco's SFO, where fog and light rain can cripple capacity, proper pricing could be of particular help, since 15 per cent of its flights are via planes and small jets that have limited capacity.

The ultimate solutions will involve efficient pricing, more high speed rail connections between hub airports and regional cities, and as much runway expansion as possible after the other two solutions are under way.

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US



Breguet
Depuis 1775

150th anniversary photo-call and exhibition in London 21-22 February 1999

per cent fee I had to pay last week to change £10,000 into Spanish pesetas at the Argentaria branch of the Barcelona airport. No wonder euro fees are making headlines.

Finally, all agree that banks in the euro-zone no longer bear what you call "the cost of managing exchange-rate risk". Cost? Risk? European banks used to make some \$5bn a year of profit

from cross-border money transfers. Can this hefty profit not help explain why euro banking is so reluctant to share with its customers the cost-free, risk-free, placid atmosphere brought by the euro on January 1?

Marco De Andreis,
European Commission,
rue de la Loi 200,
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COMMENT & ANALYSIS

MAN IN THE NEWS ABDULLAH OCALAN

A London teenager this week set herself alight to protest against the capture of a pot-bellied 50-year-old known as "Uncle". His unsmiling portraits with droopy moustache cover her bedroom walls where other girls might have pop stars. It is safe to say she is in love with the idea, not the man.

Abdullah Ocalan is an unlikely object of such devotion. His ideology is a mish-mash of Marxism and national liberation, with a passing nod to Islam. One of his heroes is Stalin, a man he superficially resembles. He claims to be Apo - uncle to some 25m Kurds, yet he has not set foot in Kurdistan for almost 20 years. He is a Kurdish icon and yet his mother tongue is Turkish.

To explain the Ocalan phenomenon requires a little history, ancient and modern.

The Kurds who now occupy the mountainous borderlands of Turkey, Iraq, Syria and Iran are descendants of Indo-European tribes who came from central Asia around the fifth millennium BC. They speak a language closely related to Persian and, more distantly, to many European languages. They predate the Arabs and the Turks in the region and were reluctant converts to the Sunni Moslem faith.

They had and still have the misfortune to live in the marches between great powers: Persia/Iran; Byzantium/Turkey; the Russian empire/Saddam Hussein's Iraq. They have fought for and against all these powers and frequently among themselves. Their princes, the greatest of whom was Saladin, once ruled over a fertile crescent stretching almost from Baghdad to Ankara. Today, they are the largest nation on earth without a state and Apo, in his own words, is their prophet.

They already have a home-

land that is potentially one of the richest states in the Middle East, including as it does the headwaters of the Tigris and Euphrates as well as much of the oil wealth of Syria and Iraq. And yet the Kurds are powerless and impoverished.

Mr Ocalan's appeal is to a historical sense of dispossession and wrong. At the outbreak of the first world war, most Kurds were subjects of the multi-ethnic Ottoman Empire. When that empire broke apart, southern Kurdistan was snatched by Britain and incorporated into the new Arab state of Iraq. The Kurds of Anatolia were forced

to promises that Ataturk's Turkey would be a bi-national state of Turks and Kurds - a reward for Kurdish loyalty in the war, in which their militias spearheaded the massacre of Armenians.

But Ataturk's Turkey soon took a chauvinistic turn. The very existence of the Kurds was denied; they became "mountain Turks" in the euphemism of Ankara as it set out to eradicate their culture, language and separateness. They were forced to adopt Turkish names. The official ban on Kurdish was not lifted until 1951.

Mr Ocalan came belatedly to the cause of Kurdish nationalism. The son of a peasant farmer near the ethnically mixed town of Urfa, he went to Ankara University in the early 1970s on a government scholarship. He is said to have embraced the Kurdish cause only after his failure to make a mark in the far-left student politics of that turbulent period.

He told an interviewer: "I had a lot of trouble accepting my Kurdish identity. To say I was a Kurd was to pre-

pare myself for the worst difficulties in the world."

Mr Ocalan was the most violent and ruthless of a band of radical leftwing activists who set up the Kurdish Workers' Party (PKK) in 1978. Six years later they fired the first shots in a war that, by the time of Mr Ocalan's capture this week, had cost some 30,000 lives.

The brutality of the Turkish security forces has been matched by the fanatical violence of the PKK. Many of their victims were fellow Kurds who died, for real or imagined disloyalty, at the hands of the *Apocas*, the followers of Apo.

Mr Ocalan is a leader who has led from the rear. He has spent most of the 14-year war in Syria or the Syrian-controlled Bekaa Valley of Lebanon where the PKK had its training camps.

His technique with his young followers was cult-like indoctrination. Footage taken by a German television crew at his Syrian headquarters two years ago shows young men and women in fatigues and trainers joining in a trance-like

circle of devotion around the beloved leader. Mr Ocalan speaks haltingly in a mushy monotone and shows no sign of returning their love. He once remarked that the PKK could afford to lose 70 per cent of recruits on the battlefield within a year of their training.

Recruitment was spurred in the late 1980s by an event not in Turkey but in neighbouring Iraq. Kurds throughout the region were revolted by Saddam Hussein's gassing of 5,000 civilians in the town of Halabja and by the world's mediocre response to the massacre. The young

flock of devotees this week, had cost some 30,000 lives.

The brutality of the Turkish security forces has been matched by the fanatical violence of the PKK. Many of their victims were fellow Kurds who died, for real or imagined disloyalty, at the hands of the *Apocas*, the followers of Apo.

Unfortunately, their cause has come to be personified by Mr Ocalan - a remnant of the cold war seen by his critics as a ruthless figure in the mould of Stalin. His mumbled exchanges with his captors as he was returned home this week were not the stuff of heroes.

Yet, for now at least, no Kurd will condemn him and many, perhaps most, will rally to his cause. This fallen idol has at least succeeded in bringing the plight of the Kurds to the attention of the world. But for how long?



All the food that's fit to eat

John Willman analyses the panic surrounding the introduction of genetically modified foods in the UK

The telephones have been ringing at the hook this week at Organix Brands, the private company that makes the most popular organic baby food in Britain. "Everything's going crazy," says Lizzie Vann, the former City analyst who founded the company in 1992. "Consumers are very angry and don't know who to turn to for unbiased advice."

So what has driven the British into this state of moral panic and fervour? One answer is that the media - more specifically the national press - has got stuck in. Late last year The Express started a campaign against genetically modified crops - blamed by the UK prime minister on "parts of the media and the Conservative party who are behaving with hypocrisy and total opportunism in this issue".

Even a former Tory science minister, Ian Taylor, agreed: the foods seemed to have turned "some politicians, scientists and journalists into headless chickens", he said.

He included the Conservative frontbenchers leading the charge against genetically modified foods among the headless chickens. For as Mr Taylor pointed out, the demon products had been approved for sale in the UK under the previous Tory government.

It might seem surprising that the issue has so suddenly enveloped the supposed plangent British - who are not known for their care and concern about food. After all, genetically modified ingredients have been used in food on UK supermarket shelves since 1984, and somewhat longer in the



The Vegetable Gardener, Giuseppe Arcimboldo Bridgeman Library

US. No-one has died from eating them and there is no documented case of human ill-health arising from genetic modification. Yet even before this week's storm of campaigning, 62 per cent of British consumers said they did not approve of genetically modified food and 65 per cent would not knowingly buy it. Those figures would almost certainly be higher now.

So what has driven the baby-food rush was an apt response to a week of genetically engineered frenzy. There has been, in the words of Tony Blair, a "stampede" against genetically modified crops - blamed by the UK prime minister on "parts of the media and the Conservative party who are behaving with hypocrisy and total opportunism in this issue".

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This weekend's meeting of finance ministers from the Group of Seven leading industrial nations might be the last for the current duo at the US Treasury, says Gerry Baker

Last week, Time magazine departed from its usual weekly front page list of Hollywood celebrities and Monicagate to run a cover story modestly entitled "The Committee to Save the World". There, on the cover, peering out at the unsuspecting reader were three economic policymakers whose faces rarely grace the cover of weekly news magazines.

Front and centre was (of course) Alan Greenspan, the chairman of the Federal Reserve, sporting the reassuring grin of a man who has steered the global economy through the stormy seas of the last year. Over his right shoulder hovered the half-smiling face of Robert Rubin, the Wall Street investment banker turned Treasury secretary, his physical proximity underlining the strength of the relationship between the two most powerful economic decision-makers in the world.

But over the Fed chairman's left shoulder, completing the triumvirate, was not, as some might have expected, the president of the European Central Bank or the managing director of the International Monetary Fund. It was the forbidding physiognomy of none other than Lawrence Summers, the US Treasury secretary.

To market watchers, the iconography of Time's trinity was intriguing. The widespread assumption was that the cover and the hagiography that unfolded within were a deliberate piece of symbolism emanating from the heart of the US economic policy establishment. But it would be surprising if organisations that have been campaigning on the issue for years were not involved. What is different this time is that they have been successful in winning so much public sympathy.

Executives at food companies admit they have failed to make the case for biotechnology with UK consumers, having been lulled into a false sense of security by the ready acceptance of genetically modified foods in the US. "There's an awful lot of emotion out there and not a lot of facts," says Bill Fullagar, head of Novartis's UK subsidiary. "The public concern is inevitable."

On Wednesday, Friends of the Earth produced a leaked Whitehall paper that it claimed showed official concern over the impact of genetically modified crops on wildlife. Closer study revealed it to be a list of concerns expressed by organisations such as Friends of the Earth, which were to be addressed

beginning six years ago. Mr Rubin would like his replacement to be Mr Summers, his loyal deputy. But there are still some in the Washington establishment who whisper their resentment of Mr Summers, a famously cerebral man, with famously underdeveloped people skills.

"It [the Time cover] signalled clearly that Rubin's ready to go, and the Treasury wants to crush any lingering hopes some might have that someone else than Summers is stepping up to the plate," says one seasoned Treasury watcher.

The Treasury dismisses all this speculation, of course. Mr Rubin has repeatedly refused to respond to rumours of his imminent departure, saying he remains focused on his job.

But whether by accident or design, the incident focused attention on the succession to Mr Rubin, who arrives in Bonn today with the other members of the troika for what some think may be his last Group of Seven finance ministers' meeting overseas. No-one in Washington thinks Mr Rubin will stay until the end of the Clinton term in two years. The betting is he could be gone within months.

Managing Mr Rubin's departure is a delicate task. Mr Rubin's solid presence at the Treasury has been the still point in four years of international financial turbulence. Whether it is his famous "trader's cool" or something more sophisticated, he has earned reverence in the markets.

There are several candidates to replace him. Franklin Raines, the current government mortgage lender, is one. A long shot is John Reed of Citigroup. But Mr Summers' credentials (six years at the Treasury, rising steadily to the number two

spot) mark him out as clear favourites - among some.

No-one questions Mr Summers' intellectual ability, nor his commitment. Oliver North, the man who masterminded the illegal transfer of arms to Iran and the channelling of funds to the Nicaraguan Contras, was once called "the highest-ranking Lieutenant colonel in the US army". Mr Summers is clearly the highest-ranking deputy secretary in this probably any other US administration.

The brilliant Harvard

No-one in Washington thinks Rubin will stay until the end of the Clinton term in two years

economist has been the intellectual force behind the administration's handling of global financial crisis. From the 1994 Mexican peso crisis to this year's Brazilian devaluation, and at every point in between, Mr Summers has been in the thick of the fray, coaxing and cajoling sometimes reluctant finance ministries and central banks to cleave to the Washington orthodoxy that emphasises stabilising the currency through raising interest rates in the short term and through fiscal retrenchment. Mr Summers has also been crucial in holding at bay US protectionist pressures against Japan, while maintaining pressure on Tokyo to open its markets, clear out its financial mess and cut taxes.

The Treasury's critics argue that Mr Summers and his colleagues' prescriptions have merely imposed slumps soon.

on countries in the midst of financial meltdown. And even for those who have supported the Treasury's policies, there are lingering doubts about Mr Summers himself. In particular, critics focus on the suitability of this sometimes aggressively self-assured intellectual for the diplomatic delicacy needed in the top job. In contrast to the silky and laconic Mr Rubin, Mr Summers is known for his sharp edges and his inability to resist an opportunity to point out the intellectual inadequacies of those with the temerity to disagree with him.

His relationship with Al Gore was once said by friends of the vice-president to be frosty. Mr Gore's environmental supporters (and some developing countries' top officials) remember the paper he once put his name to when he was chief economist at the World Bank that seemed to suggest polluting industries should be encouraged to move from the industrialised world to developing countries.

Some senior Japanese officials still wince at what he is said to have told them in heated discussion that they risk being remembered as the Herbert Hoovers of the 1990s - plunging their country and the world into a Great Depression through their own obstinacy.

In the last year, say those who have watched him close up, Mr Summers has worked hard to shed that reputation. Relations with Mr Gore, who, if he wins the presidency next year might have to choose whether to re-appoint Mr Summers, are said to have improved significantly. His manner when testifying on Capitol Hill these days is notably polite. In any case, say his supporters, his talents are simply too great to pass over when the time comes. That might be soon.

Oil in troubled waters

With a week to go before Nigeria's election, Robert Corzine and William Wallis visit the turbulent oil delta

Welcome to Yenagoa," said a white-haired old man, standing outside a cafe in a dusty town in the heart of the vast Niger delta. "This is the place where bullets ricochet off our youth."

If only that were true. In recent weeks, dozens of young men from the Jawa tribe have been killed by Nigerian army bullets as they demonstrated for a bigger share of the oil wealth produced by foreign companies in the delta.

Four years after the execution of the writer Ken Saro-Wiwa, who campaigned for the rights of the delta's Ogoni people, the region is again teetering on the edge of open rebellion against the federal government in faraway Abuja.

The conflict also threatens to divide the communities of the delta, as young activists

challenge the authority of more cautious traditional leaders. Foreign oil companies such as Royal Dutch/Shell, which operate on behalf of the Nigerian state, are already in the line of fire. Militant groups have orchestrated kidnappings and closed oil installations in the state of Bayelsa.

Saro-Wiwa's militant message has been embraced by many of the region's minority tribes. The Jawa - Nigeria's fourth largest tribe - have even resurrected Egbesu, their ancient god of war, to support their cause. "Egbesu Boys" recently marched into Yenagoa, the capital of Bayelsa, wearing only black shorts and holding white candles in a peaceful protest. But clubs can easily replace candles, and it was armed Egbesu Boys who died in the fighting with soldiers in Yenagoa.

Oil wealth is at the root of

the tensions in the delta. Nowhere in the world do so unregulated oil fields with rubber shacks with some of its richest multinationals.

In their mud huts and tiny canoes, the Jawa are dwarfed and encircled by towering gas flares and the pipelines that criss-cross the meandering creeks and rivers of the delta.

Canoes carved from local trees and designed for the placid waters of the mangrove swamps are regularly tipped over in the wake of orange speedboats ferrying oil workers to and from installations.

When you see Shell workers and the installations they live in, and our swamp where the people are wallowing, you cannot be happy," a youth leader says.

Dragging his hand in the water from the side of a boat, he collects a rainbow film of oil on his dark skin. He says it is from an unregulated oil field in the delta, which he believes that oil leak from ageing pipes - and not over-fishing - have choked the life from the once-fish-filled waters.

In one incident, he recalls, a loose bolt in a connecting pipe sent a 30-foot jet of oil over a village at the Santa Barbara crossing. For 24 hours, it spewed out a thick layer of oil, covering huts, fishing nets, cooking utensils and the small periwinkle snails that substitute for fish if the catch is poor.

"The only fish we can find here now are small and bony. We call them 'broke-marriage' because their flesh melts into the soup and bushands accuse their wives of feeding it to another man," says an old woman.

Local resentment against the contractor having pocketed the money and abandoned the project.

Although the residents of the delta are united in the demands for a long-awaited share of the oil wealth, the emergence of militant groups and their increasingly aggressive tactics have divided communities.



Culture clash: Villagers in the Niger delta live in the shadow of foreign companies' oil rigs

Panos

"If we're not careful, soon the traditional leaders will be the target as it happened in Ogoniland," says Chief Ikomebe.

"There they were appealing for calm but the youths thought they were taking money from oil companies and so they butchered them." Many residents say it

would be a tragedy if a struggle directed against a remote and distant government claimed many of its victims from within the neglected communities themselves.

But as one young man in Khongo noted: "If a man from the Delta is on the wrong side, he'll die like a fly."

MEAT AND LIVESTOCK

Euro stumbles

MARKETS REPORT

By Melanie Carroll

The euro received another drubbing on the foreign exchange markets yesterday, as poor economic news from Europe was compounded by better than expected figures out of the US.

The euro began to drop early in the London session on the release of surprisingly poor German and French economic figures, and later fell further after unexpectedly positive trade and consumer confidence figures came out of the US.

The fledgling currency ended trading for the day in London new lows against the dollar and the pound.

In Germany, the largest economy in the euro-zone, gross domestic product shrank by 0.4 per cent for the last quarter of 1998.

In addition, a gloomy Ifo German business confidence index released yesterday, and poor production figures from France, facilitated the euro's downward progress.

Jeffrey Woodruff, currency strategist at BankBoston in

London, said the euro's current woes were no surprise.

"The euro is getting what it deserves," he said. "A lot of people were hoping the ECB would take a proactive stance on Thursday, and it is disappointing that it didn't. The longer these issues are put off, the harder the fall."

Mr Woodruff added:

"The yen continued its slide against the dollar yesterday. Attendees at the G7 meeting today are expected to endorse a further weakening of the Japanese currency."

The yen bounded around a key ¥120 resistance level throughout the day after hitting a high of ¥120.75 during the Tokyo trading session.

Japan's strategy of stimulating the economy through sacrificing the currency has concerned some analysts, who fear it may also stir up US-Japan antagonism over Japan's trade deficit, and hold back other Asian currencies from recovery.

In other dollar markets, the Canadian dollar firmed up despite poor commodity prices.

Some analysts said the loonie's strength was the result of good fundamentals and a reduced reliance on commodities.

However, rumours circulated in the market that the Canadian currency's strength may stir its central bank to cut interest rates.

EURO SPOT FORWARD AGAINST THE EURO

Feb 19 Closing mid-point Change on day Bid/offer spread Day's mid low high One month Rate %PA Three months Rate %PA One year Rate %PA

Europe

Czech Rep. Nierosz 32.8257 +0.1529 016 - 007 31.8255 32.5000 32.5270 -47 32.2872 -50 32.7504 -51

Denmark DKK 7,4283 +0.0008 002 - 003 7,4448 7,4245 7,4284 -2 7,4448 7,4245 7,4284 -2

Finland Markki 31.2555 +0.0008 042 - 051 31.2555 31.2555 -1 31.2555 31.2555 -1

Norway Krone 8970 -0.0058 059 - 060 8970 8970 8970 -15 8970 8970 8970 -15

Poland Zlote 4.2889 +0.0008 050 - 051 4.2889 4.2889 4.2889 -1 4.2889 4.2889 4.2889 -1

Portugal Escudo 1,278075 -75.98000 425 - 427 1,278075 1,278075 -1 1,278075 1,278075 -1

Spain Peseta 1,0245 +0.0008 050 - 051 1,0245 1,0245 1,0245 -1 1,0245 1,0245 1,0245 -1

America

Argentina Peso 1,1022 -0.0028 000 - 001 1,1022 1,1022 1,1022 -1 1,1022 1,1022 1,1022 -1

Brazil Real 2,2415 -0.0003 200 - 210 2,2415 2,2415 2,2415 -1 2,2415 2,2415 2,2415 -1

Canada Dollar 1,5549 -0.0152 540 - 551 1,5549 1,5549 1,5549 -1 1,5549 1,5549 1,5549 -1

Mexico Peso 11,0773 020 - 011 11,1131 11,0983 11,2226 -23 11,0773 11,0983 11,2226 -23

USA \$ 0,8616 -0,0008 002 - 003 0,8616 0,8616 0,8616 -1 0,8616 0,8616 0,8616 -1

Pacific Rim

Hong Kong Dollar 1,7375 -0,0008 002 - 003 1,7375 1,7375 1,7375 -1 1,7375 1,7375 1,7375 -1

Japan Yen 1,2504 -0,0017 026 - 027 1,2504 1,2504 1,2504 -1 1,2504 1,2504 1,2504 -1

Switzerland Franc 0,9194 -0,0015 009 - 010 0,9194 0,9194 0,9194 -1 0,9194 0,9194 0,9194 -1

UK Pound 0,6216 -0,0008 002 - 003 0,6216 0,6216 0,6216 -1 0,6216 0,6216 0,6216 -1

Australia

Australia Dollar 1,7375 -0,0008 002 - 003 1,7375 1,7375 1,7375 -1 1,7375 1,7375 1,7375 -1

New Zealand Dollar 0,7205 -0,0008 002 - 003 0,7205 0,7205 0,7205 -1 0,7205 0,7205 0,7205 -1

Philippines Peso 0,37815 -0,0008 002 - 003 0,37815 0,37815 0,37815 -1 0,37815 0,37815 0,37815 -1

Thailand Baht 0,4762 -0,0008 002 - 003 0,4762 0,4762 0,4762 -1 0,4762 0,4762 0,4762 -1

Other

Euro 0,7022 -0,0008 002 - 003 0,7022 0,7022 0,7022 -1 0,7022 0,7022 0,7022 -1

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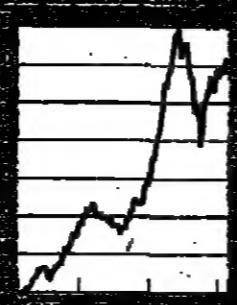
UNIT TRUSTS

■ WINNERS AND LOSERS

TOP FIVE OVER 1 YEAR:	
1. Fidelity America	1,750
2. State & Prosper Korea	1,710
3. Baring-Saxton Growth	1,613
4. Baring Korea	1,002
5. Schroder Small	1,501

BOTTOM FIVE OVER 1 YEAR:	
1. Scott Widener Latin America	401
2. Perpetual Latin American Gilt	408
3. Edinburgh Latin America A	515
4. ABN Amro Latin America	523
5. Five Arrows St Latin America A	545

Tables show the result of investing £1,000 over different time periods. Trusts are ranked on 3-year performance. Warning: past performance is not a guide to future performance.



Source: Lipper (0185 511317)

■ Indices

UK Eq & Bd	
Perpetual High Income	998
NPI Extra Income Ret	1027
Castis Income Gds	1030
AXA Sun Life High Yield	995
Credit Suisse Monthly Inc Port	1001
SECTOR AVERAGE	1005

■ UK Growth

UK Growth	
Jupiter UK Growth Exempt	1227
Ester Capital Growth	903
Lloyds TSB Environmental Inv	1115
Johnson Fry Stellar Growth	890
River & Mercantile Top 100	1022
SECTOR AVERAGE	1004

■ UK Fixed Interest

UK Fixed Interest	
Aberdeen Profit Sig Bond	1160
CGI PFT Preference	1093
Morgan Grenfell Annual Conv Ex	1121
CGI PFT Monthly Income Plus	1095
Henderson Preference & Bond	1071
SECTOR AVERAGE	1073

■ UK Smaller Companies

UK Smaller Companies	
INSECO UK Smaller Comp Acc (ST)	1222
Henderson Exempt Cygnet	1071
BWD UK Smaller Cos	986
Gartmore UK Smaller Co Inc	944
Laurence Klein Smaller Cos	979
SECTOR AVERAGE	924

■ UK Equity Income

UK Equity Income	
Jupiter Income	1042
MP Global Div Income Inc Ret	1111
Fidelity Income Plus	1124
Premier Dividend	1033
SECTOR AVERAGE	988

■ UK Equity & Bond Income

UK Equity & Bond Income	
BWD UK Equity Income	1042
Jupiter Income	1111
MP Global Div Income Inc Ret	1124
Fidelity Income Plus	1033
SECTOR AVERAGE	988

■ Japan

Japan	
Baillie Gifford Japanese	990
INSECO Japan Growth (ST)	972
Newton Japan Growth	1085
Smith & Williamson Japan	924
Martin Currie Japan	955
SECTOR AVERAGE	934

■ Far East inc Japan

Far East inc Japan	
Jupiter Far Eastern	1048
Saxe & Prosper Far East Sm Co	1004
Dresdner GIC Oriental Income	957
Smith & Williamson Far East	921
Poynt & Sunall Far East	957
SECTOR AVERAGE	989

■ International Equity Income

International Equity Income	
INSECO International Income	1083
Pioneer Global 100	1162
Newton Global Income	984
M&G International Income	1082
SECTOR AVERAGE	1051

■ International Fixed Interest

International Fixed Interest	
Markorth Managed	1077
Newton International Bond	1055
AEG Int'l Bond & Convertible	1036
Barclays RGI Int'l Fix Interest	1089
Barclays Global Bond	1074
SECTOR AVERAGE	1080

■ International Equity & Bond

International Equity & Bond	
Fidelity General Opportunities	1083
GA Income Portfolio	1028
Bank of Ireland Ex Mkt Growth	1046
MT Gavard	1074
Barclays PS Medium Term Balan	1125
SECTOR AVERAGE	1084

■ International Growth

International Growth	
Scot Equitable Technology	1259
Barclays Global Utilities Inc	1283
Fidelity Managed International	1209
Fidelity PFC Technology	1403
Fidelity International PEP	1186
SECTOR AVERAGE	1201

■ Fund of Funds

Fund of Funds	
Family Office Managed	1128
Fidelity Managed Portfolio	1021
Lloyd's Bank Income Portfolio	1010
Royal & Sunall Portfolio	1030
SECTOR AVERAGE	1025

■ Investment Trust Units

Investment Trust Units	
Gulliver High Inc Inv Trd Acc	1085
Aberdeen Profile Fd of IT Dis	1028
Premier Enterprise	972
Gulliver Investment Trust	1012
Gulliver Practical Inv	1022
SECTOR AVERAGE	1020

■ Property

Property	
French Property	1220
TR Property	957
Wigmore Property	933
SECTOR AVERAGE	1023

Authorised Investment Funds

• FT Cylons Unit Trust Prices are available over the telephone. Call the FT Cylons Help Desk on (44 171) 823 4000 for more details.

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Unit Trusts and OEICs
(Open-ended investment companies)

For further information contact:

AMERIQUA Fund Managers Ltd (0800 377 4726)

UK Growth, Income & Bond

Global Income

Daily Income

UK Income

Pan European Fund

AMC Global Unit Trusts Limited (0800 677 2120)

AMC Bond Investments Fund (0800 677 2120)

Prestige Fund (0800 677 2120)

Prestige Income Fund (0800 677 2120)

AMC Equity Income Fund (0800 677 2120)

AMC Small Cap Fund (0800 677 2120)

AMC Blue Chip Fund (0800 677 2120)

AMC Income Fund (0800 677 2120)

AMC Bond Fund (0800 677

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Insurances, Money Markets and Other

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on 1-844 1722 8222 4222 for more details.

NOTES
 a. Contractual rate of interest payable, not taking account of the deduction of basic rate income tax.
 b. Rate of interest payable after allowing for deduction of basic rate income tax.

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Offshore Funds and Insurances

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LONDON SHARE SERVICE

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

stocks and
the chips hit
Wall Street

NORTH AMERICA

UNITED STATES (Feb 19 / USA)

(4 pm close)

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COMPANIES & FINANCE

LEISURE ISSUE FOR BOOKMAKER IS ONE AND HALF TIMES SUBSCRIBED AFTER PRICE WAS LOWERED TO 135P

NEWS DIGEST

BANKING

SG Private Banking cuts Nassau staff

SG Private Banking, part of France's Société Générale, has made a fifth of its staff in Nassau redundant less than six months after buying the former Coutts Bahamas business from National Westminster Bank for about \$100m (£61.3m). SG Bahamas Bank and Trust (Bahamas) said 32 of 150 staff would lose their jobs in the wake of a review.

Warwick Newbury, co-head of SG Private Banking, said there had been "no big surprises" on revenues or costs since the takeover. In Nassau, the bank said that "even with very aggressive revenue targets", it could not achieve SG's minimum financial targets without taking an "honest look" at costs. **Clay Harris**

RETAILERS

Green has 90% of Sears

Philip Green, the retail entrepreneur, yesterday won 90 per cent control of Sears, enabling him to take the ailing retailer private. Mr Green's bid vehicle January Investments (JIL), which is backed by finance from the Barclay brothers, said last night that its 355p a share cash offer, valuing the company at £349m, had been accepted by holders of 93.5 per cent of the shares. Mr Green is now expected to undertake a strategic review of the business likely to result in disposals of parts of Sears, such as the Freemans mail-order division. Proceeds from disposals will be available to repay JIL's debt. **Maggie Urry**

SUPPORT SERVICES

Sage German arm in link

The German subsidiary of Sage, the software group, has forged a strategic alliance with Intershop Communications, an electronic commerce software developer and distributor.

The companies have agreed to develop and market integrated software solutions for small and medium sized companies that want to expand their e-commerce activities.

Intershop, set up in 1992 with headquarters in San Francisco and Hamburg, listed on Frankfurt's Neuer Markt stock exchange last year. **Caroline Daniel**

PROPERTY

E&O shares up 31% on approach

Shares in English & Overseas Properties jumped more than 31 per cent yesterday after the group said it had received a takeover approach.

Jim Clark, E&O chief executive, said if agreement with the bidder was reached, the offer price would be announced in about three weeks. Shares in the property company rose 18½p to 75p, capitalising it at £26.3m.

Mr Clark added: "Due diligence is under way. If negotiations are successful, we expect the offer price would be at a significant premium to Thursday's close of 60½p but not necessarily as high as net asset value of about 100p a share." E&O has turned in a patchy performance since it was floated in 1988. **Michelle Joubert**

HOUSEBUILDING

NPC two emerge as Tay holders

The two founders of National Parking Corporation, Sir Donald Gosling and Ron Hobson, have emerged as owners of a 5 per cent shareholding in Tay Homes, the Leeds-based housebuilder.

The pair are understood to have backed this week's attempt by Sunley Family Holdings to dislodge the Tay board at an extraordinary meeting. The move was narrowly defeated when 50.8 per cent of the votes were cast in support of the board.

Sir Donald and Mr Hobson shared £580m last year when they sold National Parking Corporation, the company they founded to convert wartime bomb sites into car parks, to Cendant, the US consumer and business services company. **Charles Pretzlik**

Investors back a cut-price William Hill

By Elizabeth Robinson

Warburg Dillon Read, the issue's lead manager, reduced the price after Nomura, the Japanese bank, had salvaged its institutional offer after cutting the price at the last moment.

The offer, which closed at 135p yesterday, is understood to be more than one and a half times subscribed.

On Thursday, the offer price was lowered to 135p, well below the indicative price range of 155p-175p.

Investors were doubled from 10 per cent to 20 per cent.

Other analysts, however, suggested that institutions had refused the higher price range because of the quick profit that it offered Nomura, when the business itself had not been fundamentally enhanced under its ownership.

Retail demand for the offer, however, has exceeded expectations and is twice subscribed, even after the tranches being sold to small

investors was doubled from 10 per cent to 20 per cent.

Of the 300 total shares on offer, small investors have applied for 120m.

One analyst said that the cut in the offer price meant that there could be room for the shares to open at a premium when they start trading on March 1.

The final pricing and allocations will be announced on Monday.

In spite of the last-minute

orders, however, the price is expected to remain at 135p.

At this price, the UK's second largest bookmaker will be capitalised at £405m.

Valuing the company, which has £375m debt, at just under £200m.

Nomura bought William Hill for £730m in 1997 from Brent Walker.

William Hill's 1,500 betting shops put it in second place after Ladbroke.

The offer prospectus

estimated profits last year to be £93.5m, a rise of 22 per cent, helped by strong growth in telephone betting and stakes on the football World Cup.

Because of the bulge in betting caused by the World Cup, some analysts were concerned over William Hill's future growth, especially as rivals had upgraded their telephone betting systems to challenge William Hill's dominance of that market.

Wheel of fortune spins in favour of gamblers in provinces

Casino operators have found capital gains are no longer enough and have headed further afield, writes Elizabeth Robinson

James Bond has a lot to answer for. The UK casino market has tried for many years to distance itself from a retro image of high-rolling spangled glamour, but many in the industry concede that the public perception of what goes on around the roulette wheel is stuck in the 70s.

True, London's 21 casinos still attract the big spenders, but provincial gaming tables – and there are more than 1,100 of them – are more likely to be surrounded by young locals with about £100 worth of chips.

Ladbrokes' move last week to buy Stakks saw one of London's main casino operators seeking to gain a substantial chunk of the regional market, giving it 21 provincial sites to add to its four in London. Peter George, Ladbrokes chief executive, said: "I never thought we would get into the provincial casino market."

Until recently there was little need to. But the impact of the Asian financial turmoil revealed just how exposed London's casinos were to problems in overseas economies, with last year's "drop" – the amount of money exchanged for chips – down about 10 per cent.

Provincial casinos, in contrast, have provided steady and solid growth. Although

regional gamblers on average stake only £100, compared with £600 from their London counterparts, the "drop" in provincial casinos has increased by 16 per cent since 1995, according to Mintel, the market researcher, compared with London's 2 per cent increase over the same period.

Ladbrokes is not the only one to spot this. London Clubs, which operates seven casinos in the capital, has already signalled that it is seeking regional licences.

Alan Goodenough, chief executive, said: "The regional market is more secure and more buoyant than London. London is an international market and economic downturn in some international circles has hit the capital's casinos hard."

Add to this last year's increase in gaming duty, which applies a 40 per cent tax on casinos with a gross gaming yield of more than £4.2m, and it is clear why Mr Goodenough says: "Frankly the environment in London is not that friendly any more."

One action shows the attraction of the regional casino market: London accounts for two-thirds of casino earnings in the UK but pays some 80 per cent of the gaming duty.

The 94 regional casinos are largely in the hands of three operators: Stanley Leisure, Rank and Stakks. Stakks in particular has been trying to appeal to a broader clientele by upgrading its restaurants and bars to create more of a "night out". Ian Payne, managing director of its casino operations, said that although gaming would always be the core source of casino income, lessons learnt from the company's Riverboat in Glasgow, which opened three years ago, would be applied to other sites.

"The food operations in Riverboat initially lost money, but now we have turned that around," he said. He expects food and drink at the Leeds casino, which opens next week, to break even from the start.

David Boden, managing director of Rank's Grosvenor casinos, has also seen strong growth in the provincial market. When Rank moved its Southampton casino to a leisure park, flanked by night clubs and restaurants, the growth in membership was huge, he said.

However, any growth will be constrained by regulation – the legislation governing it has not been updated since 1988.

Apart from London, only 52 cities and towns are specified as "permitted areas" for

casinos. Licences are handled by magistrates, but the total number of casinos has remained static at about 120.

"The industry is saying with one voice that this act needs to be reformed," said Mr Goodenough. Three areas are expected to be deregulated this year: the membership restriction that compels customers to apply in person and then wait 24 hours is likely to be reviewed to allow postal applications. This will benefit London clubs in particular, as more than 60 per cent of their visitors are from overseas and casino customers will in future be able to apply for membership before arriving in the country. Some limited advertising of casinos may also be permitted; and the number of slot machines allowed in each casino may be increased from six to 10.

However, the industry is lobbying for greater changes, such as allowing members of one casino entry to others in the same group, or linking jackpot machines at a number of casinos.

"There's no added clout in being a bigger player at the moment," said Mr Boden, adding that casino operators cannot yet benefit from synergies and economies of scale.

Although Ladbrokes is set to win control of Stakks, it will have to wait and see if deregulation deals it the winning hand.



Regional change in average drop per visit	Percentage change	1995/96-1997/98
Number of sites	% sites	Turnover per site
112	22	£2.10
84	26	£1.40
41	38	£3.50
38	36	£1.20
52	39	£0.80
20	18	£1.50
16	16	£0.75

Alchemy close to Goldsmiths bid

By Peggy Hollings

The offer has been delayed for several weeks by bankers' reluctance to back a bid in the depressed retail sector.

Goldsmiths said yesterday that as far as it was concerned there was no offer on the table. Alchemy refused to comment.

The jewellery chain disclosed in December that it was in preliminary talks with a potential bidder. At the time its shares rose strongly from 112p to 164p.

Yesterday they were unchanged at 145½p. Jurek Piascik, chairman

and chief executive, led a management buy-out of Goldsmiths from Oriflame in 1987. He owns 14 per cent of the group and is thought to be keen to take the company private, given the low valuation of its shares since it floated in 1990.

The group was floated with a market value of £65m, and ended this week with a capitalisation of £36m.

Alchemys' two directors, John Moulton and Eric Walters, were directors of Schroders Investment Management, which backed Mr Piascik's original buy-out

and are thought to be keen that he should remain in place.

Goldsmiths has some 154 branches and is Britain's second largest specialist jeweller after Signet. It was founded in Newcastle in 1775.

However, like other retailers it has found the trading conditions in the UK difficult. In January it reported a 2.6 per cent drop in like-for-like sales over the crucial Christmas period.

Although Ladbrokes is set to win control of Stakks, it will have to wait and see if deregulation deals it the winning hand.

Jarvis Porter chairman may bid for group

By Charles Pretzlik

The takeover activity comes two months after Jarvis Porter said it had received preliminary approaches about possible offers for the company.

Since then other potential trade and financial buyers have emerged, prompting Jarvis Porter's advisers, Warburg Dillon Read, to organise an informal auction process. Richard Brewster, who stepped down as Jarvis Porter's chief executive last year after disappointing profits, is also considered to be a possible bidder.

The Leeds-based group has been under pressure since the announcement of worse-than-expected half-year profits in November. Pre-tax profits in the six months to August 31 dropped 43 per cent to £4m on a 2 per cent fall in sales to £48.7m amid what Mr Jarvis called "some of our toughest ever trading".

Mr Brewster's successor, Hugh Donaldson, promised a thorough review of the group's businesses.

Abbey National hit by rising mortgage arrears

By Christopher Brown-Hawes

Abbey National, the UK's second biggest mortgage lender, disappointed the market yesterday with news of increasing mortgage arrears and rising provisions for consumer lending. Its shares fell 85p to £12.51 as it became the first bank to fail to produce a positive surprise in the current reporting season.

Pre-tax profits rose 19 per cent to £152m (£2.47bn) in line with expectations. Income rose 13 per cent to £21.3m, outpacing a 10 per cent rise in costs to £1.28bn.

But the figures were overshadowed by a 66 per cent jump in bad debt provisions from £121m to £201m. This included a 244m jump to £55m in the residential property charge – including £42m taken in the second half. There was also a rise in finance house provisions from £45m to £83m, which cut profits in this division by 10 per cent to £120m.

Mortgage arrears rose across all classes of customer, with the number of borrowers who were six

months or more behind with payments rising from 14,700 to 17,100.

One analyst said: "Abbey's arrears experience is now closer to the industry average. Historically it was always better. There's evidence to suggest they have competed on risk."

But Mark Pain, finance director, said: "We compete on price and service. We don't compete on risk. The provision reflects lower monthly payments caused by falling interest rates. By definition this pushes cases further into arrears."

He said the increased consumer credit provisions showed the group "tackled hard and tackled early".

Abbey increased its share of net mortgage lending from 2.3 to 5.9 per cent – although this was well below its 13.6 per cent share of existing UK mortgages.

It widened its retail mortgage spread – the difference between average lending rates and average savings rates – from 1.98 to 2.1 per cent, helped by falling interest rates. But analysts expressed concerns about

spreads being sustainable and questioned Abbey's belief that its customers were largely indifferent to the aggressive pricing challenge of new entrants.

Ian Harley, chief executive, was pessimistic about the prospects for banking industry consolidation. He said: "Consolidation comes from weakness and as present banks are financially strong, their profits are growing well and their returns on capital are high."

The group remained keen to bolster its life assurance business by acquisition.

He said the group was committed to lifting revenues two to three times faster than costs over the next three years. Analysts believe this may be over-ambitious as it would involve cutting the bank's cost income ratio – which fell last year from 42.8 to 41.2 per cent – to the mid-30s level.

Weekend February 20/Feb 21 1999

NEC to shed 15,000 jobs after biggest loss

President of chipmaker quitting over \$1.25bn deficit

By Alexandra Minns in Tokyo
and Christopher Price in London

NEC, Japan's largest chipmaker, is to cut 15,000 jobs, or 10 per cent of its workforce, over the next three years after reporting its biggest loss.

Hiashi Kaneko, NEC president, who has been with the group for 43 years, will resign next month to take responsibility for group losses of Y150bn (\$1.25bn) for the year to March. The group had previously forecast a loss of Y35bn.

The job losses will come as a shock to many Japanese, for whom lifetime employment has traditionally been a hallmark of the country's corporate culture. However, faced with the worst economic crisis in Japan's post-war history, leading companies have been forced to cut costs to survive.

The company was hit by the strong yen, falling demand for computer and network equipment, and worse-than-expected losses at Packard Bell, its US

computer subsidiary. Of the 15,000 jobs to be lost, 9,000 will be in Japan, mostly through natural wastage. NEC's losses reflect the pressure it faces both at home and in export markets. Sales have fallen by Y200bn from previous estimates of Y4,300bn to Y4,700bn, a 4 per cent drop from last year.

Last year NEC took a controlling stake in Packard Bell, brought in new management and announced plans to turn the group around in preparation for an initial public offering. However, the group's market share in the US has continued to decline.

According to International Data Corporation research, Packard Bell's share of the worldwide PC market fell to 4.4 per cent in the fourth quarter of last year, making it the fifth largest manufacturer. The top four PC makers - Compaq, International Business Machines, Dell and Hewlett-Packard - all increased market share substantially.

Toshiba expects losses, Page 23

UBS to sell entire 25% stake in insurer Swiss Life

By William Hall

UBS, Europe's biggest bank, is to sell its 25 per cent stake in Swiss Life, Switzerland's biggest life insurer, worth about SFr2.6bn (\$1.97bn) in a move that is expected to result in a net profit of up to SFr1.4bn.

The bank is terminating its four-year co-operation agreement with Swiss Life because of "the growing competition between the strategies pursued by the two groups in the area of European asset gathering".

However, both groups intend to continue their collaboration in Switzerland and possibly internationally on a non-exclusive basis and to co-operate with other banks and insurance operators.

UBS's decision contrasts with the strategy of Credit Suisse, its main rival, which bought Winterthur, a Swiss insurer, in 1987.

Credit Suisse believes that the lines between insurance

and banking are becoming increasingly blurred and sees its future as a bancassurer, with its insurance and banking arms cross-selling each other's products.

UBS stressed that its decision to sever ties with Swiss Life did not mean that it was not interested in providing life insurance products. Rather, it wanted the flexibility to provide its private banking customers with the best available products.

UBS plans to sell its 2.935m Swiss Life shares to a number of Swiss and international institutions at "market conditions".

Swiss Life will buy UBS's 25 per cent stake in the UBS-Swiss Life joint venture as well as UBS's 48 per cent interest in Livit, a real estate subsidiary.

UBS shares closed marginally lower, down SFr3 to SFr446, but Swiss Life's shares fell SFr73 to SFr340. Although

World Stocks, Page 20

and banking are becoming increasingly blurred and sees its future as a bancassurer, with its insurance and banking arms cross-selling each other's products.

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Swiss Life, which went public in 1987 having been a mutual, has been looking for acquisition targets. Last year it lost out in a bid to acquire French insurer GAN, and earlier this month it said it was in talks to buy privately held Lloyd Continental of France.

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Beverly Hills pets

'As in the case of the Dalmatians, films work can attract undesirable publicity and encourage disorderly breeding'



Flights of fashion

'The British invaders swooped into New York this week and made a splash. Audiences whooped'



Poison pie

'Started in 1939, the Okeene rattlesnake roundup is the grandaddy of all rattler festivals'

Page XIII



It is a scene from *Germany!* Naked save their underpants, miners' helmets and boots, 30 men stoop in a gallery 50 high and pick and scrape at coal, abseiling it with jerky, irritable, movements on to a squeaking metal belt which winds endlessly by them.

The coal seam slopes steeply upwards and thus so does the gallery: entering it - by ladders of slimed-over wood or metal, like wet ice beneath rubber boots - you see only little illuminated parts of the miners stretching up and away into what seems like a vast distance, as the beams of their headlamps bob about, now settling on an arm muscle tensed to heave a shovel; now on a filthy back wet with sweat; now on a streaming face set taut behind the helmet brim.

Machines cannot get at the seam, they say - so at intervals they drill holes in the coal, set charges, retreat down the ladders, detonate and then climb up again. They work as they have done for nearly a century and a half.

They would seem to be twice doomed, these men. Once, obviously, by a life of grinding daily toil, chances of ill health heightened by heavy smoking and drinking. Second, because these are the miners of the Jiu Valley, in Romania, and Romania cannot afford them - it has been told so by the International Monetary Fund. They have to give up and get out: find something else to do which drains the state's budget less.

But they have resisted getting out. For they have had a leader who fought to protect them against the end - and in protecting them (or claiming to), for eight years, posed the fragile Romanian state with its deepest challenge.

He is part bandit; part charismatic, who could beckon to a hardened miner and have him come running to his side; part trade union boss who seemed to hold a better hand than the authorities; part revolutionary who, last month, forced the Romanian prime minister, Radu Vasile, to come to him as he marched with his miners on the country's capital, Bucharest. In a medieval monastery they signed a treaty, as if between two rival states, which withdrew government intentions to shut two mine complexes.

He is Miron Cozma, president of the League of Miners' Unions of Jiu, the last man in Europe wielding raw workers' power. Until Wednesday, that is. For, having left his mountain hideaway this week to lead another march on Bucharest, he was arrested.

You would not recognise him as the standard proletarian leader. In his mid-40s, he looks in a country where men and women age before other more leisured Europeans - much younger. He wears loose three-piece suits and boldly patterned ties and a big, expensive watch.

The last bandit king

John Lloyd examines the plight of Romania's miners and their arrested leader, Miron Cozma

He is vastly vain. He refers to himself constantly in the third person: "Miron Cozma does not do such things". Miron Cozma will never give in!

When he responds to a charge that he assaulted a local official, he says: "If I hit him, he would have died. If I hit a man, God grant him mercy!"

Outside his office in Petroșani, the Jiu Valley capital, supplicants wait in line. When they are ushered in for an interview, he begins by summoning from his assistant-bodyguard a thick clip of telegrams conveying support from Romanian unions, from citizens from a French Trotskyist group. He reads bits of them out before anyone can ask a question - "do not think you lack friends in Bucharest! I write as one citizen for many," "you fight for us all".

But the Romanian authorities see him as fighting a war against all. The Jiu miners marched twice on Bucharest, in 1990 and 1991 - the latter occasion under Cozma's leadership - to make clear they would tolerate no dismantling of the statist economy in general and closure of the Jiu Valley mines in particular. These were no peaceful demonstrations; unchallenged by the police, they rampaged about the city, beating up people in particular who looked like "intellectuals" - that is, with eyeglasses, or a beard, or carrying books.

It is still disputed who encouraged them to come to Bucharest, but former high officials of Nicolae Ceaușescu's communist regime get the blame.

Petre Roman was prime minister then. Now he is leader of the Senate and of the Democratic party and becomes passionate as he recalls events: "I was about to announce internal convertibility of the currency [last] year; and this and other moves would have cemented the reforms. Its enemies knew this and brought the miners to Bucharest. They were led by Cozma, and Cozma saw himself as above the law. The ruling coalition was divided. President [Ion] Iliescu [who, though a leading communist, had led the putsch against Nicolae Ceaușescu in 1989] could have faced it down, but he chose to force me to resign. From then until now, reform did not happen in Romania."

Did this mean that one man had held reform captive? "Well, more than one man, of course, a complex of things, including Iliescu's reluctance to reform, the power of the old structures, the lack of understanding of what had to be done. But one man was both a reality and a symbol of the state."

The question now facing the Romanian political class is: will Cozma's arrest clear the path for the economic reforms for which the election as president in 1989 of Emil Constantinescu - a university professor with a beard and glasses - appeared to be a mandate?

His governments have committed themselves to privatisation, a tight budget and a reduced deficit. The 1999 budget is now being fought through parliament line by line, its overall spending dictated by the

need to meet IMF conditions. If the budget fails - and ministers are rebelling publicly at its harshness - the Fund will fund no more, and Romania could default on \$8bn loan repayments.

As in 1991, reform looks serious and Cozma's action this week was undertaken for the same strategic reasons as then - to bait it. But it has been baited!

It trembled in the balance. Constantinescu's government - riven with disagreements, leary of the pain of

beating up a policeman and a photographer. But it was for "undermining the state's authority" that he was finally arrested on Monday - with a sentence of 18 years already handed out by an appeal court.

When he was reminded of the charges against him at a press conference he gave while I was in the Valley last week, he rounded on the questioner with a kind of savage delight: "Who will sentence me?" The minister of justice who selects the judges to get the sentence he wants? The interior minister who will shoot us? The miners who can be bought? Justice can be bought in Romania - why should I submit myself to it?"

These questions will be tested as Cozma begins his sentence. The miners' reaction to the arrest of their leader is now crucial - as is that of the political opposition in Bucharest.

Cozma's all-encompassing cynicism is matched by the attitude of the main opposition party, the Social Democrats, many of them former senior communists, still under the leadership of Ion Iliescu. One of his senior colleagues, Ioan Mircea Pasca - who chairs the parliament's security committee - lam-

bered the government for not compromising with the miners sooner and makes light of any threat to the state.

And he goes further: he says the budget now going through parliament was "dictated by the IMF" - and who now thinks the IMF has the answer? Name me one whose obeyed Ceaușescu before he fell?"

Magureanu says the state typically cannot count on the loyalty of the military, police and intelligence services because their leaderships, haunted by a memory of allegiance to communism, fear to commit themselves to a new leadership which might be unstable. They are reluctant to take on workers from whose ranks they are drawn. Thus the post-communist powers are obliged to negotiate, compromise, shift this way and that.

As in the former Soviet Union, arbitrary and corrupt government gives any demagogue the widest selection of targets and the perfect exhalation. Cozma has a number of criminal charges against him - including allegations of beating up a policeman and a photographer. But it is for "undermining the state's authority" that he was finally arrested on Monday - with a sentence of 18 years already handed out by an appeal court.

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overnment spends £400m a year on a dwindling supply of coal; just over 3m tonnes this year, compared to 13m in the 1980s peak; its "slimming" programme depends on giving miners 20 months' salary, all at once, to leave. Most of them go on a binge of gambling, drinking and spending; bars, a Las Vegas casino and shops stacked with Japanese televisions and Italian fridges attest to the loose money that is around, as 18,000 men got hold of billions of lei (about 7,000 to the £).

Their last, and perhaps greatest power, is what Vaclav Havel in another context called the power of the powerless. The sheer misery of the naked, sweating man hacking in the mines confers on them a symbolic power. They have experienced little from freedom save a choice of soft-failed politicians.

Miron Cozma: Justice can be bought in Romania: why should I submit myself to it?

AP/Wide World

Romania state is all chaos and disorder, so they will not do it. Besides, there is no other work."

And he goes further: he says the budget now going through parliament was "dictated by the IMF" - and who now thinks the IMF has the answer? Name me one whose obeyed Ceaușescu before he fell?"

It is obvious so. The Jiu Valley is, as everyone says, a "monoculture": everything is mining, or depends on it. The 13 vast mining complexes sprawl along the valley, surrounded with settlements composed mainly of prefabricated blocks, the walls discoloured, the concrete crumbling, washing hanging limp on the crowded balconies in the grimy, freezing air.

The Constantinescu gov-

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It is ironic that this power should have been mobilised by a man so posturing and flighty as Miron Cozma: but perhaps only one as vain and anarchic as he could have the nerve to lead the miners of Jiu in their last stand against a society which can neither support nor suppress them, but which will acquiesce in their slow, hopeless withering away.

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The Constantinescu gov-

Cultured pearls and diamond earrings in 18ct gold

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PERSPECTIVES



Colette Meade and Jeton: the Belgian Ardennes gelding has a low centre of gravity which helps when hauling timber

The Nature of Things Fresh light on the vision thing

Our retinas retain and process information crucial to our biological survival, says Andrew Derrington

How does your brain enable you to see? Recordings from the brains of animals have allowed neuroscientists to piece together an account of how brain processes isolate attributes of an image, such as colour, shape and movement. We may soon get more direct information about how these processes work in humans.

Like a camera, the eye forms an image of whatever lies in front of it, on the retina, a light-sensitive outgrowth of the brain that lines the back of the eyeball. But the similarity with cameras, designed to record and play back faithful images, ends almost immediately. The brain is not concerned with faithful representation but with meaning. It processes images to extract significant information.

Selection is crucial for information-processing. In the brain, selection operates at every level. When you scan share prices in the FT you select those relevant to your financial survival. Your retina selects information needed to answer the questions of biological survival - "Can I eat this? Can it eat me? Can I mate with it? Can I catch it? Will it catch me?"

For this reason the retina selects and emphasises colour which indicates the ripeness of fruit and, in some species, the availability of mates; rapid changes in brightness which can be processed to reveal movement; and localised differences in brightness, which allow us to separate an object from its background and analyse its shape and location. Gradual variations in brightness, which tell us little of survival value, are discarded.

The art of information-processing is to bring together what are initially separate pieces of data so that the combination tells us something new. A supermarket might combine a customer address list with information about purchasing histories to send a promotional mailing.

We know that both these processes happen in the retina because the neurones that transmit from the eye into the brain are activated by patches of colour (especially red, green, blue or yellow) or by local differences in brightness - a dark spot

surrounded by a bright background or vice versa. At later stages of visual processing, neurones select more complex shapes.

These include recognisable features of visual patterns, such as lines, edges and corners. Thus the different neurones carry information which could be combined to produce recognisable representations of everyday objects. Other neurones select different directions of motion, more specific colours or objects at particular distances.

This detailed information about visual processing comes from recording the electrical activity of neurones in the brains of animals. It is an article of faith for neuroscientists that the electrical signals in neurones generate what we see, and that our neurones have similar responses to those of animals. I once caused a colleague to believe the laboratory lights were flickering because I accidentally passed a weak electric current through his eyeball. Evidently the change in activity induced in the neurones in his retina was similar to that which occurs when lights flicker.

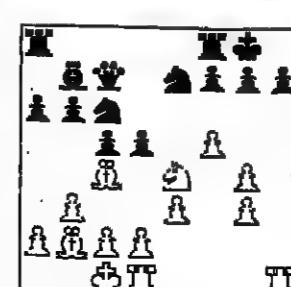
It may soon be possible to get much clearer information about visual processing in the human retina. Last week Austin Roorda and David Williams of the Center for Visual Science at Rochester, New York, published the first pictures of different types of receptor in the central part of the living human retina.

These showed that the pattern and the relative numbers of the different colour-sensitive receptors differ from eye to eye. By comparing how eyes with known receptor distributions perform in different visual tasks it will be possible to infer how the individual receptor signals are processed. The eyes will become the window of the brain.

■ The author is professor of psychology at the University of Nottingham.



CHESS



No 1271

Joseph Blackburne v J Harvey, Manchester 1892. Large, bearded and jovial, Blackburne was the WG Grace of chess in the Victorian era. The British No 1 was hugely popular at local clubs as he wisedcracked round the room during exhibitions: he could play a dozen games blindfold, and had a wonderful flair for tactics and sacrifices.

Here Blackburne (White, to move) has given his amateur opponent a queen start, but has created a fierce attack on the black king.

Though Black's d5 pawn forks knight and bishop, the grandmaster had everything under control and his next turn launched a fine finish.

Solution, Page XVIII

Leonard Barden

Minding Your Own Business

Logging on in the woods

Tom Linton meets forestry workers struggling against imports

Making a living in forestry has been a struggle, particularly for Phil Wilcox and Colette Meade. So much cheap imported timber has flooded the market that many in the industry claim to be worse off than Britain's embattled farmers.

Even so, Wilcox and Meade do not regret their decision nearly two years ago to become partners in a horse-logging business in Devon. They belong to a small handful of foresters who use horses to extract timber from pockets of woodland ill-suited to being worked by heavy machinery.

"In most instances, we can't claim to compete with machinery, but on certain sites it is very advantageous to use horses, or to combine their use with machinery," Wilcox, a former army commando, says. "Thought tractors cut up the land and compact it, we are happy to use them where practical. But I would say that 70 per cent of our work uses horses."

The two formed their partnership in 1992 after working together for three years. They discovered they had complementary skills and functioned well as a team.

"Usually we buy stands of timber [groups of growing trees] which we thin or clear fell according to the contract. We make our money by selling on what we extract," Wilcox says. "The problem at the moment is that the former Warsaw Pact countries have huge natural resources of timber they are desperate to exploit for hard currency. They sell it far cheaper than other European countries can produce from managed forests."

"Also we are not paid until after the timber has been on a mill's weighbridge. We have timber worth £5,000-£9,000 lying on rides [minor roadways in the forest] waiting to go to the mill. That hits cashflow."

The price may rise but we may have to sell it for what we can get. While it is lying around it is losing weight and, therefore, value. We can't buy more standing timber until the money comes in, although we have three stands waiting to be worked."

But Wilcox and Meade believe that they will survive. To some extent they rely on contracts where they are paid a day rate, usually £250, by owners intending to sell the timber themselves. Though many of these contracts are drying up because owners have delayed felling until prices rise, Fountain Forestry, an international woodland management company, has offered them work which should keep them going for several months.

The partners occasionally resort to using their skills as hedge-layers and stone-wallers. Meade also has a flexible arrangement during thin times whereby she works in a friend's removal business for two days a week. The work is hard but the money is good.

They have two heavy horses, Rosie and Jeton (named after a French telephone token). Shorter and stockier than Shires, the continental horses' lower centre of gravity makes them better-suited for forestry work.

Rosie, a Dutch draught mare, is 15 and will soon have to be put out to grass. To replace her would cost about £2,000 in Britain. Instead, they intend to buy a trained animal from Belgium for about £1,200. Jeton, a Belgian Ardennes gelding weighing

nearly a tonne, is five.

Wilcox and Meade, both 37, decided to introduce horses into the business after a landowner stipulated they could not use heavy machinery. Horses are also cheaper to buy and maintain than machinery.

The partnership has reached a

overdraft limit of £25,000, which they used to buy standing timber. Last year, they tried without success to obtain a bank loan to buy a horse. Recently, however, Working Woodlands, a charity based at Totnes, granted them £24,000 of European funding to be put towards buying horses and equipment.

Seven years ago, Meade sought a grant to study forestry after her husband left her to bring up eight-year-

old twins on her own. But she was deemed to be too old at 32 to qualify for one.

"I decided I was not going to sit idly by relying on benefits and took a course in stone-walling - which was run by Phil," she says.

Wilcox told her that if she could gain qualifications in chainsaw competence from the Agricultural Training Board he could probably find her some forestry work. She was quick to respond. He soon started using her as a cutter on felling contracts.

"She worked harder than any trainee and did things properly," he says.

They work mainly in the West Country but are prepared to travel if a contract is worth it. A supportive family allows Meade to work unusual hours.

In 1992, they failed to make a

profit on turnover of £22,000. In the present financial year they expect to bring in £26,000-£40,000. The year before they joined forces they made about £14,000 between them.

Their overheads are low. Insurance, at £700 a year, transport and maintenance are the biggest costs.

They hire a cattle truck to transport their animals to jobs and tractors are hired on site from Fountain Forestry.

"They have specialist machinery which is well-maintained," Wilcox says. "They are really efficient and deliver the machinery with a driver to the site. We simply pay about £24-a tonne to have the timber moved."

The cost of feeding the horses is minimal. During a five-week contract to cut and extract 180 tonnes of timber at Westcott Arboretum in Gloucestershire, where grazing was provided free, horse feed cost about £50. "You can spend a lot more than that on filling a tractor over five weeks," Wilcox adds.

They recently spent a week in Belgium studying continental forestry methods with £900 grants

from the Leonardo Da Vinci Fund.

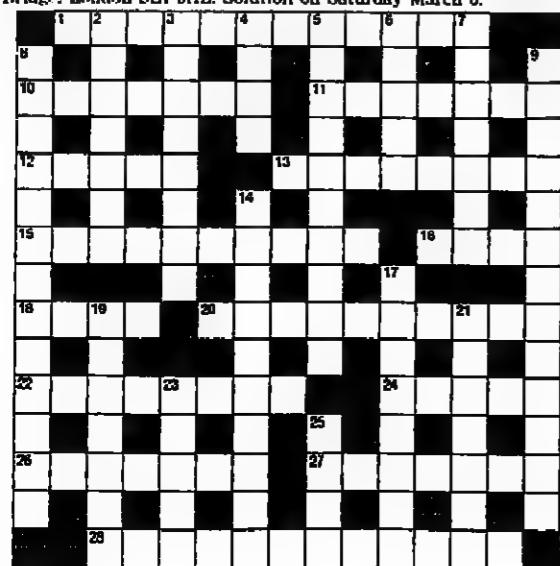
They are building up a reputation for efficiency and for not causing damage to the ground and surrounding trees. Getting started in the business and being taken seriously was a painful phase, but now people are beginning to offer us better stands of timber because they realise we can do the job."

■ Wilcox & Meade Forestry, 4 Southbrook Road, Millbrook, Devon TQ13 9YZ. Tel: 01626-835673 or 01803-770134; mobile: 0585-277 482; email: phwilcox@aol.com

CROSSWORD

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Solution 9.918
SQUASH CHAINSAW
BREAD AND BUTTER
KEMEROA
TIES BOBBYSOCKS
POTBELLIED PECK
LOVERS ATTACKER
NOMINATE DEMENTIA

CUISINE
ARMED CONSTRUCT
PRE ELEM
DONOR INCUBATED
EOD ALAR
BARITONIEN
AT S U U
NIPPIERS ATTITUDE
SIRIANA AST
HOLDBACK WELL
EOD S R I E
EXTEMPORANEOUS

D
N
W
E
S
N
North East South West
1S NB 2D NB
4D NB 4NT NB
5C NB 5H NB
5S NB 7D
Following trump agreement, South launched into Roman Key-Card Blackwood. North responded 5C showing 0 or 3 key-cards - and South knew

BRIDGE

CHESS

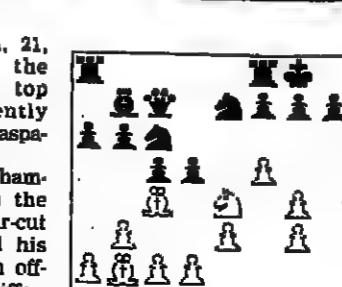
Alexander Morozevich, 21, could soon enter the charmed circle of top grandmasters currently ruled by both Garry Kasparov and Vishy Anand.

To inquire for this, South bids the next suit up from North's response - unless that suit is trumps, which would be a sign-off. Here, South bids 5H to ask for the queen of trumps. If North had not held it, he would return to the agreed suit at the lowest available level, namely, 6D. As he does hold queen of trumps, he shows this by cue-bidding a king in another suit - imparting two pieces of useful information in one bid. Here, North's 5S shows both the queen of trumps and the king of spades. This is all South needs to know to bid the grand slam.

If they had been playing duplicate pairs where TNT could be the superior contract, South still has room to bid SNT asking North to cue-bid any unshown king - such as K6.

There are all sorts of arrangements for showing voids but this simple advice will avoid angst: imprint your shape well during the early auction, and ignore voids in Roman Key-Card Blackwood.

Paul Mendelson



No 1271

Joseph Blackburne v J Harvey, Manchester 1892. Large, bearded and jovial, Blackburne was the WG Grace of chess in the Victorian era. The British No 1 was hugely popular at local clubs as he wisedcracked round the room during exhibitions: he could play a dozen games blindfold, and had a wonderful flair for tactics and sacrifices.

Here Blackburne (White, to move) has given his amateur opponent a queen start, but has created a fierce attack on the black king.

Though Black's d5 pawn forks knight and bishop, the grandmaster had everything under control and his next turn launched a fine finish.

Solution, Page XVIII

Leonard Barden

WINNERS 9.907: E.W. Davies, Amersham, Bucks; Sue Gorman, Kew, Surrey; D. Rice, Ballina, Ireland.

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PERSPECTIVES

Dispatches

Their wealth is in their children

Leyla Boulton discovers an unlikely secret weapon in Turkey's Kurdish shanty towns

If you don't behave, I'll throw you out of a helicopter," shouted the Kurdish father to the gaggle of children in the slum in Diyarbakir, south-eastern Turkey.

Such parent-speak comes as a shock on my first visit to the region where war has raged for 15 years between Kurdish rebels and Turkey's conscript army, claiming 29,000 lives.

Many of the inhabitants of the *gezkondu* - the Turkish term for shanty town which literally means "built overnight" - were chased out of their villages by the army in a campaign to flush out guerrillas from the banned Kurdistan Workers' party (PKK).

Squatting in front of a concrete house with a half-finished roof, Mehmet, who wears a combat jacket and has a thick moustache reminiscent of Abdullah Ocalan, the PKK leader captured by the Turkish authorities this week after spending four months seeking asylum in Europe, Africa and the Middle East, describes the day five years ago when the army "emptied" his village.

"They came and said: 'Leave your houses'. They said: 'You are terrorists. You are helping terror-

ists. Your children are terrorists. We are burning your village.'

We lost everything - house, furniture, animals, everything."

Now surrounded by dozens of curious neighbours and children, he pauses to consider whether to continue talking to me. "How do I know you're not a government informer?" he asks, perhaps persuaded to carry on by my imperfect Turkish and my obviously pregnant tummy.

In spite of the PKK's well-known crimes against Kurds, Mehmet and his friends clearly see Ocalan as the local Robin Hood. "He's a good man, he's not a monster. He's not a terrorist; he's simply defending his people," says Mehmet, illustrating the point that in spite of recent setbacks in a war that has cost Turkey \$7bn a year to wage, the PKK lives on in the hearts

and minds of many Kurds, particularly the poor who have nothing to lose.

In fact, the only wealth they possess is exceptionally large numbers of dirty, dark-skinned children wearing brightly coloured hand-me-downs. Despite being repeatedly chased away like mosquitoes on a hot Turkish summer's day, they keep coming back to stare and smile.

Why do people have so many children, I ask, after the third person in a row tells me he has between 12 and 18 offspring? "The state is killing us so we are reproducing ourselves," declares Mehmet. "They take Kurds and kill them under torture. If you have five boys in the family, when one dies it won't change anything."

Zerin Elici, the 23-year-old US-educated daughter of a moderate

Kurdish politician, believes that apart from the traditional reasons for having so many children - for field labour and security in old age - another motive for Kurds is psychological. "Being a minority, they just want to grow in number. If this happens maybe your acceptance in society will grow and you will not be swamped by the majority."

High Kurdish birth-rates help to explain why Turkey has been reluctant to adopt an energetic birth-control policy for fear that only Turks in the western half of the country would pay any attention to it. "This is the Kurds' secret weapon," says one western journalist friend only half-jokingly.

While the average number of children per family is two, for Turkey's more developed western half and 4.4 in the east, families

of anything from six children are the norm in the south-east where Turks of Kurdish origin are in the majority. Along with the war, the high birth-rate is the biggest drag on the economic growth of an area that has some of Turkey's highest rates of unemployment and migration.

Melike continues to say that even if she were to have "one or two children, things would not change very much because Kurds do not like to work".

As long as men continue to make all the decisions, the fatalistic streak in Islam - the strongly held faith of most Kurds - makes for a combustible mix with nationalism. "God provides money to feed children," says Hasan, who makes 1m Turkish lira (\$2) a day working as a porter in Diyarbakir.

Wearing a bedraggled blue suit, he pulls out of his small daughters towards him and gives her a rough kiss on the cheek as he announces that "her twin died. We don't know why" - a reference to the illnesses common among children in the *gezkondu*.

Unlike educated Kurds who say they want to be recognised as a separate people within a unified Turkey, Mehmet and his friends disagree among themselves whether jobs or political rights are more important.

I cannot help feeling as I leave this cauldron of violence, fatalism, and good humour that the children are condemned to having neither.

Lunch with the FT Playboy Dane with a grating sense of humour

Lucy Kellaway meets a restaurateur who caters for ladies who lunch

Just in case you have managed to escape the gossip columns these past 10 years, let me introduce you to Mogens Tholstrup.

He is the dashing Dane who created Daphne's, Princess Diana's favourite place for a ladies' lunch. He is the man who flies helicopters and who goes out with "it" girls, models and aristocrats. He is the tall, handsome restaurateur who understands the eating habits of London's smartest women better than they do themselves:

So when a charming PR woman phoned to ask if I would like to have lunch with "Moans" (which is apparently the correct way to pronounce his first name) I accepted with pleasure. Lunch with a playboy is not something FT girls get offered every day.

The man waiting for me at the entrance to Daphne's in South Kensington turned out to be a pleasant enough looking fellow with a slightly limp handshake. He flicked back his blonde hair and ordered an orange juice. He seemed ill at ease.

Me: "Do you ever drink at lunch-time?"

Him: "No." Me: "Do you drink in the evening?"

Him: "Yah." Me: "Can you cook?"

Him: "I can." Me: "What are your specialities?"

Him: (long pause) "Risotto. Or pasta. Some fish. Maybe meat. Something simple. I am not into complicated arrangements."

His voice was a mixture of Sloaney English and Scandianvian.

But these days, he said, he doesn't cook. Instead he spends all his time at his three London restaurants - Daphne's, Pasha



Mogens Tholstrup: "The leftwing press doesn't like certain types of restaurant. But it doesn't really worry me. The people who come here don't read those publications"

and The Collection - instructing rather than doing. Although the restaurants were bought out by the Belgo chain last year he is as involved as ever.

Me: "How are things going in the kitchen today?"

Him: "I had a few comments."

Me: "What were they?"

Him: "(Hesitates)" "That's between me and the chef."

Me: (Getting desperate) "How is The Collection these days?"

Him: "Very good."

I had eaten at this self-conscious restaurant soon after its opening when interviewing Tamara Beckwith (best friend of his then girlfriend Tara Palmer-Tomkinson) and had never seen so many tall, skinny blondes in my life.

He smiled. "If anything, the clientele is better now. There aren't so many aspirational people.

Andrew: "I suppose to be to discuss his latest restaurant project, Bam Bou. Obeyingly, I asked about Vietnam where Tholstrup had been on a fact-finding tour.

"It was very interesting," he said flatly, and did not elaborate. Instead he told me that the furniture in Bam Bou would be colonial and that it was going to be "quite a drinks-led venue".

Does it matter, I asked, what the reviewers - who have not been kind to him in the past - make of Bam Bou?

"Clearly the leftwing press doesn't like certain types of restaurant. But it doesn't really worry me. The people who come here don't read those publications."

They were more likely to read the publications which specialise in Mogens Tholstrup's love life. He sighed and for once there was a trace of emotion on his face.

"You sacrifice a lot of your private life. I'm a fairly social animal. Your acquaintances are millions of people. It's like par-

thood. Once you get in, you don't question it." Parenthood resembling the playboy life? What was he getting at?

"The playboy image is quite untrue," he went on, and pro-

'If anything, the clientele is better now. There aren't so many aspirational people.'

At the concept, and think what we need to spend."

"Very dry," he explained.

The waiter came with the pudding list and recommended a blood orange biscuit. I ordered that he chose an espresso. "A pudding is a very female thing," Tholstrup remarked. "I've heard it is a replacement for sex." He fixed me with his close-together blue eyes and did not smile.

Suddenly he asked: "Is it difficult doing interviews like this?" You publicise my opinions. Words. It means I have to think before I say something." And then I saw exactly the problem with this lunch. My playboy was thinking far too hard.

We started to talk about food, and I told him I liked to eat the same thing every night. "A bit like marriage, isn't it?" The same stew every day. If you stand marriage you can stand that." He put his hand out towards the tape recorder, as if thinking about his own failed marriage.

The conversation turned to his

Danish. "They have a great sense of humour," he said. I gawped.

"Very dry," he explained.

The waiter came with the pud-
ding list and recommended a
blood orange biscuit. I ordered
that he chose an espresso. "A
pudding is a very female thing,"
Tholstrup remarked. "I've heard
it is a replacement for sex." He
fixed me with his close-together
blue eyes and did not smile.

Suddenly he got up. "I'm just
going to check the loos have been
cleaned." By now I recognised
this to be a joke.

"How are you going to make
this article readable?" he asked
when he returned. It was strange
he said that; I had been fretting
over the same point myself.

It was time to go, and I announced that the FT would pay for the meal. "So we are making money out of this Fantastic!" And then, for the first time, he smiled. "Will you send my regards to the Pearson family?" I smiled too, but less confidently. Maybe this was another of those dry Danish jokes.

dozen pubs, and you may taste the "Real Ireland" too, and watch Newcastle against Coventry on Sky TV.

This is abroad with foreignness removed. The indispensable props of Anglo-Saxon life have been effortlessly transferred to a land of perpetual sun, where property is still comparatively cheap, and booze is half the price it is at home. Inimitable English knees beneath unmissable English shorts above the odd combination of sandals and socks bob along the streets. Daily Mails are folded inside freckled elbows.

To characterise Nerja-by-the-Sea as Gerald Brenan's bequest to the country he loved and which took him to its heart would be monstrously unjust.

But it is a telling comment on our age to contrast two arrivals in Malaga: that of Brenan, who because he had no money and there was no transport, tramped the 120 miles from Yegen; and Mr Handy of Dover, who a few weeks ago famously bashed a stewardess over the head because he was unhappy with conditions on his £25 flight from Gatwick.

If you want the romance, read the book.

On the trail of authenticity

Tom Fort travels the path of author Gerald Brenan in search of a Spain untouched by tourism

drink in the view, is no more.

But the character of the village, dictated by the gradient of the slope on which it clings, is not so different. Although the houses are whitewashed instead of displaying their rough mortar, there is no pretension to elegance. The dark, serpentine alleys are heavy with the smell of mulch. Yegen remains distinctly ungentle.

And the grandeur of its setting, which seduced and delighted Brenan, is undiminished. Above Yegen's jumble of grey, flat roofs ascend the terraces with their olive trees, their vines, their miniature fields - most still tended to degree, though no longer able to feed the village.

Through the ages, the blessing of this place, balancing its poverty, was its water; and it still purifies down the channels first devised by the Moors, to bring forth life from the red earth.

From 1,000ft above Yegen you look out over what Brenan called "the wrinkled waves of red and yellow and lilac mountains". No breath of wind rustles the poplars and sweet chestnuts, no sound comes from the bare ridges or the ravines chewed by the red rock. There is a silence here, a breadth to the world, which makes you feel rather insignificant.

Brenan had his house in Yegen for about 14 years, although he was only there for about a fifth of that time (a fact artfully disguised in his narrative). One may guess that he tired of its discomforts, its isolation, the very narrowness and simplicity of the life which were also its attractions; that, in the way of writers, he had taken from it what it had to give. Once gone, he seems hardly to have looked back.

By the time *South From Granada* was published in 1937, the country Brenan had, in romantic terms, discovered on behalf of literate Europe was teetering on the edge of an economic transformation which would sweep much of what had drawn him there. He writes of a society "which puts the deeper needs of human nature before the technical

No shred of romance survives in Torremolinos, or "Torry" as its English regulars call it. Its allure is derived from other elements: roasting sun, sandy (albeit grey) beach, sex, booze, familiarity, cheapness. But elsewhere the romantic quest continues, the search for the "true Spain", concentrated on the mountain villages of the hinterland.

In a good many of these, the influx of foreign residents and tourists has succeeded in arresting the decay which the Civil War and the stagnation of the Franco era visited on this part of Andalucia.

Now the villages of the western Alpujarra - not Yegen, which is in the east - gleam with new whitewash, bristle with shops selling woven blankets and quasi-traditional pottery. Around every corner is a restaurant with a quadrilingual menu. An organisation required to provide a higher standard of living.

He was then living near Torremolinos; by the end of his life (he died in 1987), concrete had been laid the length of the coastline he loved.

And the charm in the broad esplanade and in the warren of cobbled streets of the old town. Or, rather, there would be if it hadn't been so comprehensively purged of its Spanishness. Instead there is a newsagent called W.H. Smith. A tea shop offers Welsh rarebit with real Worcester sauce and "infusions" of Darjeeling tea. The Rendezvous restaurant promises "scrummy desserts". Bodington's and Cafrey's beer flow in a

BOOKS

Why the quality of wisdom is non-digital

Tom Standage explains that human brain, unlike brawn, cannot be replaced by machines

From its title, *WiredLife* sounds like one of those technological-utopianist tracts that have been so popular ever since the internet went mainstream: books that explain how personal interaction will be changed for ever by the advent of digital networks, virtual reality, online chat rooms and so on.

But *WiredLife* is not that kind of book at all – in fact, it is precisely the opposite. Charles Jonscher, a computer scientist turned economist, advances the counter-argument that, fancy new computer technology notwithstanding, humans are much the same as they have always been – and that the rise of digital technology serves only to underscore the information-processing supremacy of the human mind.

To anyone who has waded through the starry-eyed prophecies of Nicholas Negroponte (*Being Digital*), Michio Kaku (*Visions*), Michael

Dertouzos (*What Will Be*), Esther Dyson (*Release 2.0*) or Bill Gates (*The Road Ahead*), this sceptical counterblast comes as a breath of fresh air. But Jonscher is no Luddite. He is as much a believer in the power of technology as Negroponte, Kaku and friends; he merely disagrees about the extent to which it is capable of effecting social change.

In light, readable prose, Jonscher presents a summary of the birth and growth of digital technology, including lucid explanations of the process of digitisation and other key concepts in information theory. He then sets out to show that predictions of the future power of a new technology tend to be understated, while predictions of its power to transform our

everyday lives tend to be overstated.

Most importantly, he outlines the distinction between raw data and useful knowledge, and makes the point that while computers are very good at handling vast quantities of data (telling records, account details, and so on) it is still the case that only humans can process knowledge – and that human brains, unlike human brawn, cannot be replaced by machines.

Jonscher is at his most convincing as he drives this point home by examining the failure of computer technology, despite the investment of billions of dollars worldwide, to deliver a measurable increase in productivity. His explanation is that the information revolution

is fundamentally different from the industrial revolution. A steam engine enables one man to do the work of many men, effectively amplifying his

WIREDLIFE:
Who Are We in the
Digital Age?
by Charles Jonscher
Bantam Press £14.99, 293 pages

physical capabilities. But computers do not do the same for the brain; they may be able to calculate quickly, but writing a letter or a report with a computer is no easier than with paper, pen or dictaphone. The computer may offer a choice of typefaces and a spell-check, but

when it comes to the hard part – the actual thinking – it is no help at all.

This explains why equipping white-collar workers with computers has failed to deliver the productivity gains of equipping blue-collar workers with industrial machinery. Jonscher sees this result as “confirmation by way of a worldwide, trillion-dollar trial, that it is and will be much more difficult to automate what we do with our minds than it was to automate what we do with our hands.” He concludes that “what will retain value in this age of machines that can conjure up and process information in limitless quantities is that which computers cannot produce” – namely the “non-digital quality

of wisdom” and human creativity.

Convincing stuff. But *WiredLife* is not without its failings. In particular, Jonscher illustrates almost every point he makes with quotes from other people’s books – almost all of which were published in the last five years. The result is that at times his book feels like little more than a précis of his bookshelf. And while it is amusing to watch Jonscher knock down the more outlandish suggestions of the technological utopians – such as the infamous “soul-catcher” chip, or the half-formed mumble of Bill Gates on the likelihood of constructing brain-like computers – at times he is simply attacking a straw man.

Even so, Jonscher ultimately succeeds. He makes an important point, and his argument is one that deserves to be listened to, even though someone else may yet come forward to make the same point rather more convincingly. In the meantime, Jonscher provides a much-needed antidote to the far more numerous tomes of techno-utopianism.

From here to nowhere

The author of ‘The Thin Red Line’ was once a famous name. Who remembers James Jones now? asks Martin Mulligan

The *Thin Red Line*, loosely linked trilogy of war books, and – although he wrote other novels in between – he followed it with *The Thin Red Line* in 1962. *Whistle* was the third in the series, some years later. The first book is about soldiers in peacetime Hawaii; the last about a hospital ship; so only the Guadalcanal novel now filmed by Malick is, properly speaking, a war novel, filled with fighting and slaughter.

The movie version of *From Here to Eternity*, timed in 1953 with Burt Lancaster and Deborah Kerr, was an immediate hit, and added to the success and fame the novel had brought him. It remains his main claim to fame today (“Wasn’t that the movie that launched Sinatra?”). But Jones found that the life of the East Village literary salons, to which his sudden celebrity had given him access, proved unpalatable. “I’m the common man’s novelist. I’m not writing for PhDs at Harvard... I’m the last of the proletarian novelists,” he once said.

Besides, while many of his fellow writers were content to talk the talk, Jones walked the walk – as one might expect of a man who won a Purple Heart and a Bronze Star, and who listed his hobbies as shooting, skindiving, jazz, classical ballet, boxing, and collecting Indian carvings, pewter knives and guns.

His friends included William Styron and Norman Mailer, and at the time Jones’s reputation was at least their equal to theirs. Through the 1950s and early 1960s each man competed against the others for the title of Hemingway’s successor, on both literary and extra-literary territory.

James Jones dined out on the Pearl Harbor episode for the rest of his life

Sound magazine. But in all the fanfare about Malick, a celebrated if costive director re-emerging with his first film since *Days of Heaven* 20 years ago, the other man behind *The Thin Red Line* has been overlooked.

Its author, James Jones, was a young enlisted man, breakfasting on coffee and pancakes at Schofield Barracks close to Pearl Harbor when Japanese Zeroes began their bombing and strafing attack on December 7, 1941. In a sense, he dined out on that episode for the rest of his life. Ten years later, in 1951, he published his first novel, *From Here to Eternity*, and its instant success was a vertiginous experience for a 30-year-old who had been born and brought up in Robinson, Illinois – Midwestern Smallville. It was the first of Jones’s



James Jones: ‘I’m not writing for PhDs at Harvard... I’m the last of the proletarian novelists’

Macho bravoc was mandatory, off the page as much as on it. It was a time of hog-whispering, knee-walking drunkenness and fist fights at East Village parties. No wonder that Jones eventually profited from his commercial success by taking himself off with his beautiful wife to live on the Isle de la Cité in Paris for much of the rest of his life.

Although Jones continued to write, his reputation never again reached the level of his first novel, and after his death in 1977 he quickly fell into obscurity.

Nowadays critical opinions vary. Jones has been castigated as a barely literate American primitive, accused of everything from sexist stereotyping to a disdain for grammar. Yet his strengths redeem him: no one writes more convincingly or subversively about army life – the international corporatism of his era – from the inside. And he kept to the very end his hard mental independence and

appetite for experience. All these characteristics are amply demonstrated in Jones’ *The Thin Red Line*, from its painstaking opening depiction of troop transports arriving at Guadalcanal in the grey dawn, hundreds of men in their holds waiting to be unloaded like so much cargo, to the appallingly prosaic descriptions of hand-to-hand fighting. Jones’ style is at times abrasively awkward, a *lumpen* prose in combat fatigues. Process realism would be perhaps a fairer description: a method of wild masonry by which detail is piled upon detail until a structure emerges, not unlike an army bivouac going up on a hill in Guadalcanal. Jones had his scruples about writing “entertainments” inspired by war, noting in a letter that “writing has to keep evolving into deeper honesty, like everything else”.

However, Jones has a lot to answer for, if only as a source of inspiration. His gravest crime may have

been to have given the world that beach love scene between Burt Lancaster and Deborah Kerr in *From Here to Eternity*, now a gashly trope of mass-market paperback fiction. (“And then they were over the sweet pain of desire’s coral reef and into ecstasy’s blue lagoon.”)

A re-attempts to revalue James Jones as an important American writer doomed! It is a measure of the obscurity into which he has fallen that Harold Bloom, academic *magister ludi* and Yale’s arbiter of literary reputations, fails to give him room to Jones in *The Western Canon*, his pantheon of US writers emeritus (though Norman Mailer finds a place).

That is a shame. No one who writes as well as Jones at his best should spend forever in the wilderness. Take, for example, his brave if flawed novel of the war

between the sexes, *Go To the Widow Maker* (1987), a *roman à clef* about successful bored men diving and spear-fishing in the Caribbean. An episode toward the end of that book when Grant spears a shark only to receive a drubbing from the bald brute Orloffski is a hard bright gem of pioneer fiction, worthy of comparison with Faulkner. That is exactly how it must feel to have your nose broken by an enraged Telly Savalas doppelganger in a brawl on a Caribbean beach.

True, all this is a far cry from Proust savoring a morsel of madeleine. But James Jones will be read and remembered, if only by a passionate minority, as long as there are people interested in what it means to be a man of honour in a mass-society.

The Thin Red Line and *From Here to Eternity* are available from Coronet (£25.99, £27.99). See Nigel Andrews on page VII.

Musings of a mad monk

Don’t be tempted to shout ‘Eureka!’ warns Ben Rogers

He is a thought “False beliefs and discoveries . . . [sometimes] lead to the discovery of something true.” If you had had this perception one morning lying in the bath, would you have jumped from the tub, screaming “Eureka!” Probably not. It is not a positively embarrassing thought – it is not cruel or sentimental – and it is clearly not untrue.

SERENDIPITIES: Language and Lunacy

by Umberto Eco
translated by William Weaver
Weidenfeld & Nicolson £12.99, 130 pages

It is just a little . . . well, banal. It has something of the ring of “Even bad people have some good qualities”.

But what if you could offer some illustrations? Hera, of course, it would depend on what they were. You might consider Columbus. Didn’t he sail westwards thinking that he would hit the Indies and thus accidentally discover America? Well, again, if you had had this thought, you wouldn’t feel ashamed – but you would have to admit, it is pretty trite.

What about the story of how a belief in the philosopher’s stone stimulated nascent chemistry? A bit unlikely. Or what about Prester John, who, it was believed in the 12th century, ruled a vast Christian Empire beyond the Moslem territories. Perhaps it would be possible to trace a root from this false belief through to the Nazi’s irrational conviction that the Jews were conspiring to take over the world. But that connection sounds pretty far-fetched and, anyway, is hardly to the point. In short, you would probably decide that these things are best left to the intellectuals.

And indeed, intellectuals have made something of our original bathroom thought. Karl Popper, after all, has described the history of science as a process of conjecture and refutation; knowledge, he argued, develops through the invention and rejection of false theories. In his hands, a thesis about the “force of falsity” became something extraordinarily enlightening.

Umberto Eco, however, does not quite scale such heights. He is a deeply learned man and was once a serious scholar, but *Seren-*

questions – for instance, when Adam named “every beast of the field and every fowl of the air”, did he name fish as well? – and obscure theorists – like those 7th-century Gaelic grammarians who argued that Irish was a perfect Adamic language whose structure reflected that of the Tower of Babel – recall the ablutum-time musings of a mad monk. Just occasionally he says something funny or at least suggestive – scholars might be interested in his conjectures about Dante’s debt to the 13th-century Jewish scholar, Abulafia, for example – but more often he is a bore.

This is a book, or rather a collection of essays dressed up as a book, that really should not have been published. An aimless, fakely written study of the unexpected effects, both good and bad, of false beliefs, it would never have found a publisher or a translator if it were not by the author of *The Name of the Rose*.



Umberto Eco: ‘Even bad people have some good qualities’

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A flag seafarers at the 50th anniversary celebrations, 1992; one of the buoyant images in John Wagner's lavishly produced 'Testaments of Israel' (Photo Publishing 245, 174 pages)

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ARTS

Hockney, California and the Cubists

William Packer reviews three surprising and intriguing exhibitions in Paris

For a foreigner to have three substantial museum shows in Paris, all at once, would be a rare compliment; for an Englishman it must be unprecedented. Yet the French have always had a soft spot for David Hockney, who came to live in Paris for a year or two in the early 1970s, and even then, in 1974, at the age of 37, was given a

often to carp at what appear to be arbitrary, wilful shifts of interest, perfunctory statements, pointless exercises. David Hockney was always so fine a draughtsman, we say, so clever a painter; so why all this fiddling with a camera, this messing about on stage? Why can't he settle properly to his work? Why can't he be serious?

What now emerges is that our David has been being very serious after all, and for a very long time. Thus, while the French have been interested and altogether "sympa" all along, to the British these three intriguing and surprising shows in Paris might actually be important. The correlation between them is remarkable, and my own advice would be to take the two smaller of them first (all three are within an easy walk of each other), for they set out the debate.

The *Dialogue with Picasso* is in effect the story of a personal enquiry into Cubism and its formal, pictorially liberating possibilities that began when Hockney was still a student at the Royal College, while the review of his photographic work since the late 1960s traces the discovery and development of a personal application of Cubism that has proved as appropriate to painting as to photography. This show, at the Photography Museum, lasts the shorter time, but some such work is also at the Musée Picasso to make the point. And the larger, qualified retrospective at the Pompidou

full retrospective at the Musée des Arts décoratifs. Now, at 62, long-time expatriate and artist of the world that he is, the surprise that Paris should honour him so should be even less. The problem, it seems, rests not with the French but with the British, his countrymen, who have been known to take none-too-kindly to the Star gone abroad.

Of course he has been a frequent and always welcome visitor to Britain. But our acquaintance with the work has been kept up sporadically. Seen piecemeal, without the broader, establishing context, our inclination has been rather too



An early narrative Surrealist landscape 'Rocking Mountains and Tired Indians', 1965, by David Hockney

demonstrates the uses he has been putting it to, one way and another, ever since.

If Hockney's interest in Picasso was first engaged by the circus figures and salmboanes of the Symbolist, pre-'Desmoiselles' period of the early 1960s, it was the principle of simultaneity and the multiplicity of viewpoint of the analytical Cubism of Picasso and Braque, developed in the years around 1910, that has proved the lasting, enabling legacy, even though so much of his work, especially for the theatre, Hockney moved on with Picasso to the more ebullient and decorative synthetic Cubism of the later 1910s and early 20s. And, as with Picasso again, we now see clearly the extent to

which Hockney has been exploiting the opportunities and possibilities that Cubism affords at every turn.

In photographing a chair in the Luxembourg Gardens (1985), he walks round it, looking down at it and taking photographs the while in a continuum of shots, which he then re-assembles as collage – a fractured, refracted image that is as real to the experience as it is conventionally improbable. A huge panoramic painting of the Grand Canyon (1986), made up of 98 separate canvases laid together, has as many distinct vanishing points, one for each, just as, so Hockney says, the viewer himself adjusts his vision in scanning the reality. Not all the paintings are so obvi-

ously schematic, but this sense of a shifting, scanning vision informs them all, whether of landscape, still-life or interior.

This Pompidou show begins with the narrative Surrealist landscapes of the early 1960s, and continues with the essentially graphic imagery of city towers, Californian villas and swimming pools, domestic interiors with figures and still-lifes, with their art-historical references and stylistic in-jokes which occupied him into the 1970s. But it is with the larger, Californian landscapes, the Canyon paintings after 1970, the walk-about interiors and the photo-collages of the early 1980s, that the full Cubist implications, and the surprises, begin.

Hockney's graphic impulses remain incorrigible, simplifying images to a device and rendering them broad and quick; and with so much space to cover, there is the comitant tendency to work as broadly, and perhaps a shade perfunctorily. These quibbles will always remain in particular cases – certain areas ill-judged, unrealised, merely knocked-in, the colour crude – though that said, some of the recent multi-panelled large-scale studies of the Grand Canyon are magisterially robust in their immediacy and directness. One longs to see what working studies he made on the spot, if he did indeed make any at all.

■ David Hockney – Space/Landscape: Centre Georges Pompidou, Paris 4, until April 26, then on to the Kunst und Ausstellungshalle, Bonn. Sponsored by Ernst & Young, in collaboration with the British Council: closed on Tuesdays.

David Hockney – Dialogue with Picasso: Musée Picasso, 5 rue de Thorigny, Paris 3, until May 3; organised by the Réunion des musées nationaux, closed on Mondays.

David Hockney – Photographer 1985-1997: Maison Européenne, 5-7 rue de Fourcy, Paris 4, until March 15; organised by the Museum Ludwig, Cologne, closed on Mondays and Tuesdays.

Television/Christopher Dunkley

Racial discrimination is stood on its head

and so unquestioned the faith in the value of other cultures, that television now stands permanently on its head. English culture and white people represent all that is bad, and people of any other skin colour and any other culture all that is good.

That is, of course, an overstatement – but no more of an overstatement than those which we hear routinely from television's race series. More significantly, the assumptions upon which these programmes rest are even more extreme. BBC1 is running a series on Wednesdays called *Black And White* in which one

black and one white reporter, with hidden cameras, investigate racism by comparing the treatment they receive from hotels, employers, car hire firms and other businesses. It is not a new idea: 10 years ago the BBC did it in Bristol. Now the target city is Leeds.

Received better treatment. Those were the examples on which the programme concentrated. When the reporters tried renting flats and bed-sitters the subject was handled at amazing speed and abandoned without any filmed examples. Why? Presumably because both men, as we were told, received the same treatment in all 40 instances, a record of even handedness which might seem worthy of comment. Still,

discrimination is the subject, and it could be argued that the lack of it is no more than we should expect.

Far more important is the fact that the entire scheme is rigged in such a way that

racism must emerge as a fault exclusive to white people. First the black reporter makes a call – to a hotel, or a bar, say – run by a white person; then the white reporter calls at the same place. In a minority of cases the white reporter gets favourable treatment. But what happens when the tables are turned, the reporters go into the black Chippewa area of Leeds, and the white reporter applies for a job in a West Indian landlord? We have no idea because the programme never tries it.

Why not? Perhaps we can guess, but the programme makers would probably argue that it is white attitudes which matter here because numbers are such that instances of black people discriminating against whites are inevitably rare. But there is, surely, all the difference in the world, between a programme showing that racism is a global phenomenon cropping up in all races and one showing that, of all the races in Britain, whites alone are racists. Anyone watching Peter Taylor's series *Loyalists*, which starts tomorrow with an excellent programme about the origins of the loyalist paramilitary organisations in Ulster, will realise pretty quickly that racial discrimination does not necessarily have to have anything to do with skin colour.

Robert Frost said that a liberal was a man too broad-minded to take his own side in an argument, and there is an element of that in British television's attitude towards race. It is absolutely right that Oona King MP, half black and half Jewish, should be able to make a programme such as *Scrutiny: The Trouble I've Seen* which is shown by BBC2 at 6.15 today. She is peculiarly well qualified to consider discrimination in the southern US (where her father was born) and in London.

But something odd must have happened to her when she claims that "Bengalis are proud of their customs and their religion" prompts in the viewer the thought that any attempt to go on television and say the same about the English would produce incredulity and horror among programme makers.

Radio/Martin Hoyle

Not groomed for the job

COUNTERPOINT swells

to its climax this week. Radio 4's music quiz is less

fun than it was for the mischievously-inclined since its presenter Ned Sherrin has been polishing up his foreign pronunciation and now hardly gets anything wrong. He has found memories of Sherrin errors unwittingly hitting nails on the head; as when the opera *Un ballo in maschera* came out (in all senses) as "in masqua", showing a knowledge of the proclivities of the historical hero whom Verdi made into a red-blooded heterosexual tenor (inaccurately).

Sherrin's homework compares favourably with the stolidity of more serious colleagues. Jeremy Paxman still has no idea about many of the questions he poses in *University Challenge*. Is it a sign of the times that what was once called "general knowledge" is now branded as "trivial pursuit" as if anything insufficiently addressed to making money is irrelevant?

In today's hard-headed world it is all the more surprising that horses are not groomed for courses. Presented with a fascinating survivor from the McCarthyite witch-hunt in Hollywood to interview, Mark Lawson made a dog's dinner of it in Wednesday's *Front Row*. Radio interviewing is a specialised craft, for God's sake, not something to be tossed randomly to the arts producers' dinner party circuit. Qualified specialists are dying out in favour of bland jacks of all trades or the gratingly inept.

Sometimes it may be a question of miscasting. When Martha Kearney was reproved in this column for being shrill and pushy in *Woman's Hour* I had not seen her on television. As a TV interviewer her courteously smiling tenacity and deceptively pleasant persistence are spot on: excellent for the job, in fact.

At first hearing this does not come over on radio where the impact is purely aural – a fact so self-evident that producers once never needed to be reminded of it.

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Today they seem to have lost the grammar, the literacy, of radio.

Nor does it help when the notables of one profession dabble in another. Professor Anthony Clare (who clings to the title much as Jack Cunningham brandishes his non-medical "doctor") was on the hot line to Stratford-upon-Avon in Wednesday's *All in the Mind* to talk to renowned therapist Antony Sher. Psychiatry clambered aboard the *Shakespeare in Love* bandwagon. Sher not only played the Elizabethan shrink, one of the more schoolboyish jokes in the Stoppard-scripted film, but he also – wait for it – undergone therapy himself. Great heavens.

While luvvies are not generally encouraged to perorate on the mysteries of the human brain, Sher was more revealing than he intended. The character of Leontes in *A Winter's Tale* suddenly made sense, he related, when he found that morbid jealousy is an actual clinical condition; the role then became convincing.

Surely Shakespeare's words are convincing or not, the character either works or it doesn't? On reflection, it seemed logical that Sher should be liberated by medical sanction, so to speak, getting the go-ahead from a text-book, since as an actor he has always struck me as a text-book technician: beautifully calculated, worked out to the last physical detail, but clockwork with no heart beneath.

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by Mark Wallace

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The Spring Olympia



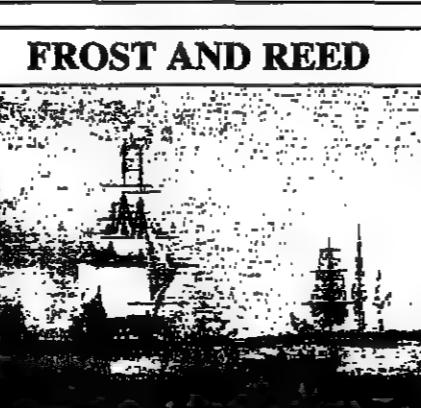
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ARTS

We who are about to move salute the zoo. This will be the last Berlin Film Festival held in the much-loved Zoo Palast, where the roar of nearby lions competes with more figurative catcalls and where in comedies you cannot tell human from hyena laughter. Next year we all disperse to the animal-free Postdamer Platz centre of Germany, possibly Europe, maybe the world: an awesome location even for an event now combining heavy-duty art with the glitz of a pre-Oscar warm-up.

A dozen stars and movies being re-ran for LA's six-weeks-hence statuette night were here, from *The Thin Red Line* and *Shakespeare In Love* to Nick Nolte and Meryl Streep. "At last some recognition!" quipped the 11-times Academy Award-nominated actress on accepting a Berlin life achievement honour.

Streep is superb in *One True Thing*, a multi-kleenex family drama directed by Carl Franklin; more when it irrigates tearducts shortly in the UK. More too — though not much more — on Nolte's drag in Alan Rudolph's less felicitous *Von Trapp* adaptation *Breakfast Of Champions*. The growly-voiced star has been Oscar-shortlisted neither for his gauche satire nor for his better turn in Terrence Malick's *The Thin Red Line*, but for *Affliction* (see this week's British openings).

Malick's second world war epic has been awaited keenly, not to say passionately. Twenty years ago we had scarcely welcomed this new wonder-director, the painter in caliphate of *Soulsavers* swiftly followed by *Days Of Heaven* — before he ceased directing. Two decades of self-imposed purdah allowed Malick's reputation to grow, until we thought him a cross between Michelangelo and Shakespeare. *The Thin Red Line* proves him neither, merely the man who mixed beauty with pretension before and who does so again here.

The imagery in this James Jones-based tale of American triumph and disaster at Guadalcanal is like a flapjacked version of *Saving Private Ryan*. It is as if Spielberg's near monochrome second world war horrors had been tossed skyward, returning to earth as colour and lyricism whisked into a disturbing, delicious beauty. The action scenes are amazing and so is the acting (Nolte, Elias Koteas, Ben Chaplin, Sean Penn). Trouble comes when characters open their mouths, or rather don't. Thoughts are over-volted in monologues that sound like cracker-barrel Confucius or early Herman Melville. "There is an avenging power in



Beauty mixed with pretension in Terrence Malick's 'The Thin Red Line'; and a maudlin US/Vietnam drama that resembles 'Miss Saigon' without the songs, 'Three Seasons'



Flapjacks and fury from the zoo

Nigel Andrews reports from the Berlin film festival, where heavy duty art combines with pre-Oscar warm-up glitz

Nature?... This great Evil, where does it come from? etc."

What we powerfully see belongs to a different artistic order from what we portentously hear.

The best non-English speaking competition films have been Denmark's *Mifune*, Germany's *Nachtgeschichten* (*Night Shapes*) and from France Bertrand Tavernier's *Comme Au Jour Qui Va*. The first comes from the "Dogma '95" team who double-whammed last year at Cannes. Sven Krash-Jacobsen is the third Danish signatory to an oath of austerity and realism — no artificial lights, no tripods etc — that produced Trier's *Edie* and Winterberg's Oscar-nominated *Celebration*. *Mifune* is the merrily mad tale of a newlywed man who goes AWOL, rejecting his rich-bitch bride to return to nature with a retarded brother and a cell girl in his dead father's inherited country hotel. Elsie, funny and lovely as unity, the film was quickly snapped up by world distributors.

Night Shapes was the perfect Berlin movie, made in and about the host city. Four sad-funny stories about waifs and strays are interwoven, with thematic threads left skilfully unknit so that we can think and worry about them long after the film. Racism, petty crime, social neglect: director Andreas Dresen presents a city of plenty with a picturesquely lack of certainty over how to spread that plenty around.

If I say Tavernier's film is all about the French education system I shall hear the rustle of turned FT pages. But the veteran sage of *One Seaside De Vacances* and *Around Midnight* gives wit and vigour to the quirky battle between a young headmaster (Philippe Torreton) and the opposing army of negligent parents, druggy kids and stressed-out social workers. The film is sad, funny, provocative and compassionate, Tavernier's best in years.

Good-humoured social resentment has been the flavour of the festival, in and out of competition. The Panorama programme, which does not contend for Golden Bears, boasted Lukas Moodyson's hugely popular *Fucking Amal* from Sweden. The up yours title denoting small town *Amal* is belied by a feelgood tale of two gay teenage girls, so enchantingly acted that it could make even Aunt Edna feel warmed-hearted. And though the enthralling Dutch documentary *Kurt Gervin's Carousel* has Historical Awwful Warning written all through it — the subject is a Jewish vaudevillian who strode through showbiz from *The Blue Angel* on screen to *The Threepenny Opera* on stage before taking his final bow in Auschwitz — it offers a bleakly moving evocation of a bygone German era.

The Young Filmmakers' Forum had Dayush Mahjui's *The Mistress*, a 1982 Iranian black comedy banned for six years for its por-

trait of a woman who walks out in Rouben fashion on a selfish, weak-willed husband. Before that she inhabited a caustic, *Viridiana*-esque tale of abused good works, set in an Iran where social injustice is seen to be a natural bedfellow with religious and moral intolerance.

Berlin never dodges controversy and even seems to solicit it. *Nickolas Perry's Speedway Junkie* is a US first feature shepherded to competence by executive producer Gus Van Sant, whose *My Own Private Idaho* might have inspired the tale of unrequited love between two Las Vegas rent boys. Britain's *The War Zone*, debut-directed by actor Tim Roth, is two hours of incestuous tension in Devon. Perhaps the impenetrable lighting will help the censor pass a film whose high point is dad (Ray Winstone) buggering his teenage daughter.

Rounding off the festival's sex-and-nonconformism chapter were two North American audience hits: the Canadian lesbian tale *Better Than Chocolate* and the Sundance-acclaimed comedy of gay Manhattan errors *Tricks*.

Sexual frankness is almost taken for granted in Berlin. As if feeling that it still needed a serious future, the festival showed the Turkish competition film *Journey To The Sun* on the day of world Kurdish fury, causing what seemed the entire police population of Germany to be bussed in. The fuss proved more memorable than the film, a modest but likable road movie about a man discovering his country and himself.

Other films were rendered innocent by either triteness or a hygienic determination to entertain. In the first group came the US-Vietnam *Three Seasons* — Harvey Keitel in a maudlin drama à trois resembling *Miss Saigon* without the songs — and *Aki*

Kaurismaki's *Juha*, in which the droll Finn offers a silent-movie spoof with neither pith nor point.

In the second group were western biggies like *Playing By Heart* (Sean Connery and Gena Rowlands in a high-gloss soap), David Cronenberg's silly but upmarket sci-fi romp *Existenz* (Jennifer Jason Leigh and Jude Law versus squishy things from a parallel mind-universe) and the entire Shirley MacLaine retrospective.

For this the remarkably preserved pixie flew into town herself, spreading charm, squint-eyed smiles and her own news bulletins from parallel universes. The other retrospective honoree Otto Preminger can no longer, alas, be with us. But in their day, films like *The Man With The Golden Arm* (drugs), *Anatomy Of A Murder* (rape) and *Advise And Consent* (sex and corruption in Washington) set precedents for controversy that even modern-day Berlin must pant to keep up with.

Make weight with paper

... while Antony Thornicroft finds some works by the modern masters at accessible prices

Anyone desperate to own an art work by Matisse, Picasso and the other Modern Masters, but confined to a financial straitjacket need not despair.

This weekend, at the Art on Paper Fair at the Royal College of Art in Kensington, Wiseman Originals will be devoting its entire stand to Matisse prints, etchings and lithographs, priced between £200 and £18,000; Julian Lax will be offering Matisse, along with Picasso, Chagall, and Miró, while Elizabeth Harvey-Lee has Renoir, Toulouse-Lautrec and Munch to sell.

Art on Paper is a novelty — a brand new fair for London. It is modelled on successful works on paper fairs in New York and offers everything from original prints to drawings, watercolours to

photographs, covering the five centuries from Dürer to Warhol, and all created on paper. Only posters are missing and they may be allowed in next year.

An obvious attraction of the fair is that prices start at £50 and rarely top £30,000, the value that James Faber perhaps places on the Boucher drawing he is offering.

A secondary attraction is that this is a serious, vetted fair. One dealer, Rupert O'Brien of Wolsey Fine Arts,

and William Drummond. Old Master prints by Rembrandt and Goya will nestle alongside a series by American pop artist Ed Ruscha, in which he employed organic substances ranging from baked bean sauce to axle grease.

For light relief Rae Smith is offering cartoons by Osbert Lancaster, Ronald Searle, Ralph Steadman and others, while Spink has early English watercolours by Lear and Prout. There is not much photography, which, unlike in New York, has yet to excite British collectors, but the organisers have attempted to avoid decorative watercolours in favour of more challenging art the Beardsmore Gallery even has work by a sculptor in paper, Rebecca Forster.

Art on Paper competes for exhibitors and visitors with last month's Watercolours and Drawings Fair and April's Original Print Fair at the Royal Academy. Given dealers' insatiable enthusiasm for fairs, there is probably room for all three.

A couple of years ago the popularity of antique fairs seemed to have peaked. Now dealers realise that there is no alternative if they are to compete with the auction houses.

Next Tuesday in London starts the Spring Olympia while in mid March comes the British Antique Dealers Fair, Chelsea's answer to the daddy of them all, the grand gathering at Maastricht in the same week. Only at fairs do dealers feel that they are still in business. Only at fairs can they hope to meet old and new clients, the handful of regular customers that keep them in business.



We cannot bring the avant-garde to America any more': 'Blue Frog' by John Wesley, 1998, on the Jessica Freudenthal stand

New Art Fairs

In search of a nude descending a staircase

The new Armory Show can never be as controversial as the original, says Mark Wallace...

When the International Exhibition of Modern Art of 1913 opened its doors 86 years ago this month, Manhattan was wholly unprepared for what it was to see. Better known as the Armory Show, after its site in the Sixty-Ninth Regiment Armory building on Lexington Avenue, the exhibition brought together the most progressive strains of European and American art in a show that would shock viewers that several of the artists represented in it were hanged in effigy by outraged young art students.

Though the show was widely parodied in the press, New York's Metropolitan Museum of Art became the first American museum to purchase a work by Paul Cézanne, and paintings that initially baffled or offended have become such mainstays of art history texts that they now inspire only yawns.

The Armory Show of 1913 would go down as one of the most important moments in the development of American modern art. Besides introducing Americans to the work of Picasso, Van Gogh and Matisse, among others, the show pointed up the relative lack of innovation in the work of even the most advanced American artists, and challenged those to produce an avant-garde capable of rivalling the European modernists. Artists from Joseph Stella to Georgia O'Keeffe would come away from the show with a renewed commitment to exploration in their work.

Delavan and Mark Rice, who organised and produced the fair, estimate that 8,000

to 10,000 people will wander through the cavernous building before the show closes on Monday. Besides artists, critics and the general public, the show should also draw collectors from all over the US and from as far away as Europe and Japan.

The fair is timed to coincide with the Art Dealers Association of America's annual show, currently on at the uptown armory building, at Park Avenue and 69th Street. Rather than competing with the ADAA, however, Delavan sees the two shows as complementary, especially given the domestic focus of the ADAA. "The art scene in Manhattan can become very New York-centric," Delavan says. "You can go to Soho every weekend and still have no idea what's going on in the rest of the world."

Adding to the appeal of the downtown Armory Show is the organisers' requirement that gallerists bring works that have not been shown before, though not all of the participants have adhered to the rule. But try

as they may to foster "the shock of the new", however, it is doubtful whether the show's curators have come up with anything that will have the effect of Marcel Duchamp's "Nude Descending a Staircase, No. 2", which scandalised viewers in 1913. In 1913 American audiences had not been exposed

These days it is hardly possible to inspire outrage over new forms and techniques

"happening" for Manhattan's hip downtown crowd and inspired spin-offs in Los Angeles and Miami, among other places. But as the art market picked up again and the fair's popularity continued to grow, it soon became clear that the show had been born in its birthplace. Dealers held for the past five years in the Gramercy Park Hotel.

Established in 1994 by the same committee that curated the 1998 Armory Show, the Gramercy International Contemporary Art Fair crammed two dozen gallerists into rooms at the hotel, and forced the attending public to squeeze past each other down hallways hardly wide enough to accommodate a weary traveller and his bags.

The appeal of a hotel fair, says Delavan, was simply its low cost. With the art market bottoming out in 1994, the Gramercy fair provided a venue in which the normally cut-throat community of art dealers could pull together in a cooperative effort.

Over the next five years, the fair grew into an annual

event that began to return, and Rice says the feeling among them is that the show will be a success — if not a *success de scandale*. "Our job is to produce the real collectors," Delavan says.

So the Armory Show may well provide dealers and collectors from around the world with an important new venue in New York, and bring a host of previously unknown art to the American public. And who knows, you may even spot a nude descending the stairs.

The event is certainly eclectic. Assembled together are dealers new to fairs, like the Anderson Gallery of Broadway and hardened exhibitors like John Spink, Flowers, Duncan R. Miller,

OFF-CENTRE

Geologically it is a freak; a limestone tear-drop attached to south-west Spain by the ancient movement of the continents - Europe's most southerly appendage, a peninsula on a peninsula.

Gibraltar is a freak in other ways too. It could have figured in every evolutionary textbook as one of the cradles of humanity, for in 1848 the skull of a female hominid was found in one of its 140 caves. The skull was laid aside for study, then just eight years later a similar male skull was found in the Neanderthal valley in Germany, and the name Neanderthal was given *homo sapiens*'s best-known sub-species.

Today the people of the Rock are philosophical about that missed distinction, for it would have become two-edged: "Neanderthal has turned into a simple term of abuse," a Gibraltarian remarked. "If our find had been recognised for what it was, you can be sure what they would be saying now - 'Gibraltarian Man? Just apes descended from apes'."

"They" are the Spanish, convinced by geography that Gibraltar should be theirs.

The tiny Rock - just 2½ square miles - has more attractions than sunshine and apes: it commands the entrance to the Mediterranean (Africa is only 14½ miles away), has been British by conquest since 1704, and, as every Gibraltarian will tell you, under the 10th Article of the Treaty of Utrecht, it was formally ceded to Britain by Spain, in perpetuity. The geological freak doubles as a political oddity.

Looking at the map, the possessive Spanish point of view is readily understandable; but if you travel along Gibraltar's man-made defensive tunnels, hacked out during the Great Siege of 1779-83, and peer through the cannon embrasures pointing towards Spain, it is easy to see why the Gibraltarian viewpoint is still defiant.

Just beyond the airport tarmac



Gibraltar: formally ceded by Spain to Britain in perpetuity under the 10th article of the Treaty of Utrecht

A Rock in a hard place

Stephen Howarth explains why Gibraltar may be weeping alone

lies La Linea, "The Line", Spain's border town, a grimy pit of administrative truculence, in which those seeking to cross in either direction may be delayed by Spanish guards for two, four, even six hours.

"I now realise where the expression 'Spanish practices' comes from," said a senior British administrator. "The Spanish authorities have effectively closed the land border as a means of applying bully-boy pressure on the fishing negotiations."

This typifies Spain's continued unwillingness to accept Gibraltar's status. There are numerous other petty irritants: flight paths are tightly restricted - incoming or outgoing aircraft must bank dramatically to avoid Spanish airspace.

The territorial issue - only

kept alive by Spain - is currently focusing on whether Gibraltar is competent to speak for itself. Abel Matutes, the Spanish foreign minister, says not, and, following the most recent dispute over fishing rights, has repudiated agreements between local Spanish authorities and Peter Caruana, Gibraltar's chief minister.

A recent article in the Gibraltar Chronicle reported that Matutes was urging Caruana to come to Brussels and join in the "peace process".

Caruana reacted discreetly. But to more outspoken Gibraltarians, Matutes was not merely manipulating the language of diplomacy but hijacking it: "What? Are we terrorists? Are we the IRA? Are we Eta?" they ask.

Matutes's vision sends a shiver

down the Gibraltarian spine: "For the first time," he says, "we are discussing a plan with Britain that envisages the recovery of sovereignty. The plan is on the table and we continue to have exchanges on the issue."

With the status of a British Overseas Territory and a continuing sovereignty dispute - in which the official British line is that the decision must rest with the Gibraltarians - the parallels with the Falklands are obvious, but incomplete. In this relationship there are three - some might say four - parties, separate but inter-linked, and with little obvious prospect of finding a settlement to satisfy everyone.

Gibraltar was created by con-

quest; even its name (a distortion of Jebel Tariq, "Tariq's mountain") commemorates the Moorish leader who captured it in 711AD. In the 13 centuries since then, it has been Spanish property for 265 years and British for 265 - but it was Moorish for a staggering 727 years, which suggests that if it should be "returned" to anyone, Spain is far down the list.

With a powerful sense of self-identity, Gibraltarians speak of "our little country". Their social mix is highly cosmopolitan: in 1704, one of Britain's first acts was to grant it free port status. Most resident Spaniards left and were replaced by merchant venturers from Britain, Morocco, the Levant and Italy - there is a strong and successful strain of Genoese descent. Today, all

regard themselves as British: "Spanish", snaps a very senior civil servant, "certainly not!"

Events this century have contributed materially to their proud and touchy attitude. In both world wars the Rock's strategic position was critical; during the second world war it was accurately called Fortress Gibraltar, as all civilians were obliged to "return" to anyone, Spain is far down the list.

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ADVERTISEMENT

part 2

The Tiger Fights Back

Facing the threatened extinction of its hopes to become a fully developed nation by the year 2020, Malaysia is determined to claw its way out of recession whatever obstacles the global village throws in its path.

Before the Asian economic crisis began in 1997, Malaysia's goal of attaining fully-developed nation status by the year 2020 looked certain. Like other Asian tiger economies, Malaysia was set to achieve in several decades a transformation that had taken several centuries in Europe.

The currency crisis, which became a financial crisis and is now a region-wide recession, put that future - the future of millions of Malaysians - in jeopardy. "If we fail to get all our people, all our corporations, organisations and institutions to respond adequately and heroically to the present crisis, we will go

. What, indeed, just as there was no single model for Asian success before the 1997 crash, there has been no model for dealing with the crisis. Dr Mahathir says that although one can learn from one's neighbours, each country has to devise its own winning formula. To date, Malaysia has certainly not been shy about going its own way and it has made bold and controversial decisions both domestically and internationally.

During the early part of the currency crisis, Malaysia adopted the textbook prescription. Public expenditure was slashed and monetary policy tightened to contain the exchange rate depreciation. The resulting high cost of capital, and the credit squeeze choked businesses. Daim Zainuddin, Malaysia's Finance Minister, recently remarked that the cuts in public expenditure only intensified the contracting economy caught in a regional contagion.

In January 1998, Malaysia began to seek its own strategies. It created the National Economic Action Council (NEAC) to formulate and implement short- and medium-term policies to revive the economy, restore confidence and strengthen Malaysia's economic base (see story below). Headed by the Prime Minister with a heavyweight team from government and the private sector, NEAC became the government's main instrument in the fight back to full economic strength.

In mid-1998, when Malaysia was facing two major problems, highly overgeared companies with massive debts and an economy slipping into recession, NEAC launched its major initiative, the National Economic Recovery Plan. This comprehensive programme outlines reforms and recession-busting tactics for all aspects of the Malaysian economy. It will cost about RM162 billion to implement between 1998 to

further downhill very fast". Malaysia's Prime Minister Dr Mahathir Mohamad wrote recently in a Japanese newspaper column about the Asian crisis: "It will be the end of our hopes and aspirations, the end of East Asia's rush to keep our rendezvous with our rightful place in the family of nations. But what is now to be done, if we are to keep our appointment with history?"

2000, with funds already sourced. Domestic funding will provide two-thirds of the total with foreign funding (largely from Japan) making up the remainder. It pulls no punches and ruffles plenty of feathers.

Under its direction, monetary policy

was eased, interest rates were reduced to boost expenditure, liquidity was expanded and fiscal spending increased. Debt restructuring began under the auspices of the newly-created Corporate Debt Restructuring Committee (CDRC), and two other government agencies were created to strengthen Malaysia's financial sector: asset management arm Danaharta, whose role was to take non-performing loans off banks, and Danamodal, whose job was to recapitalise them.

The government's most controversial decision, however, came in September when selective capital control measures were imposed. The Malaysian ringgit was pegged to the US\$ at RM3.80 to US\$, and it was made untradeable overseas with all ringgit held outside Malaysia being repatriated by October 1. The government also declared that foreign portfolio investment must remain in the country for at least one year.

NEAC's Secretariat head, Dr Sulaiman Mahboob, explains: "The decision to impose currency controls was not a spur of the moment's decision.

They are in fact based on three main considerations which were to limit the contagion effects of external developments on the economy; to preserve gains, made in terms of policy measures to stabilise the domestic economy and ensure stability in the domestic prices and the exchange rate and create a conducive climate for investors and consumers."

In response to critics, Daim recently stated that they were not brought in "ideological grounds" but to stop

speculation and minimize the impact of short-term capital outflows that precipitated the economic problems we now face".

Critics - including politicians, analysts and economists the world over - claimed this was the end for Malaysia that the government was trying to isolate the country from the global village and would succeed only in sending the economy into a nosedive. It didn't.

Three weeks after the introduction of the controls, Malaysia's reserves went up by US\$90 million, while the amount of ringgit repatriated totalled RM1.1 billion after two weeks. The current account balance for 1998 improved to a surplus of RM34 billion from a deficit of RM14 billion in 1997. Malaysia's reserves had increased to RM104 bil-

lion by mid-January 1999 from RM59 billion a year earlier. The country registered a surplus balance of trade of RM55 billion compared to RM424 million in 1997.

Criticism began to turn to praise in some quarters. In its 1998 trade and development report, the United Nations Conference on Trade and Development recommended that countries adopt economic recovery measures similar to Malaysia. A J.M. Sison report said that as a result of the controls, businesses could now normalise operations and revive their plans, as there is now more certainty in the foreign exchange market. "Malaysia will be able to get out of the recession without having too many companies going bust and too many banks collapsing under the weight of bad debts," its report says.

With the economy insulated and protected from currency and stock-market speculators, the government and the private sector have had a chance to recover, restructure and make improvements to the way the economy has been managed and structured. In Malaysia today it seems, almost everything is either under review if not actively being reformed and analysts have praised Malaysia for its progress recapitalising banks and troubled financial institutions. The CDRC is currently considering 39 cases involving RM1.8 billion to work out an amicable solution for both debtors and creditors. Danaharta and Danamodal are both on a fast track with expert assistance from J.P. Morgan, Salomon Smith Barney (economic advisers to the government) and Goldman Sachs.

To date, Danaharta has taken over RM21.8 billion worth of NPLs of banks and financial institutions to allow them to refocus on lending again. The recapitalisation of banks is almost complete and Danamodal has injected nearly RM5 billion into nine banks raising their capital asset ratios. As a result, banks are cautiously beginning to lend again - the government has banned loans for luxury projects such as golf courses, clubs, resorts and shopping malls. After declining for first half of last year, bank loans increased slightly by 0.3 per cent with loans at US\$1.6 billion per month for September to November (as opposed to a monthly average of US\$1.1 billion for the first eight months of 1998).

Having achieved their first priorities, Danaharta and Danamodal are now moving into a new phase. Danaharta will now manage the assets it has acquired as NPLs, and restructure those companies. Danamodal meanwhile has been challenged with restructuring financial institutions including arranging mergers and consolidations. So far seven finance companies have been absorbed by their parents; two mergers have been completed including the troubled government-owned Bank Bumiputra with Commerce Asset-Holding to create the new Bumiputra Commerce Bank. Two sales and purchase agreements have also been signed. The merger programme should be completed by the end of March according to Bank Negara. As part of its strategy to strengthen the banking sector, the government has also suggested that Malaysia may raise the limit on stakes foreigners can hold in its banks. This relaxation will be applied on a case by case basis.

To help attract foreign investment, which has shied away as a result of the currency controls and recession, the government has also relaxed the limit on foreign ownership in companies operating in Malaysia to more than 30 per cent. The foreign equity limits in several sectors such as telecommunications, energy and insurance have been revised upwards. All new manufacturing projects approved between last July and end of December 2000, including industrial diversification and expansion,

are exempt from export and equity conditions. Foreigners can own 100 per cent equity.

At the beginning of February, Malaysia eased its tough capital controls in a bid to woo back serious long-term investors and prevent a possible outflow of funds in September when its 12-month portfolio freeze ends.

Now investors can take their money, but must pay an exit tax at a rate declining the longer the money stays in the country. After 15 February, profit taken out of the country less than a year after the initial investment will be taxed at 30 per cent after that the amount would be 10 per cent. The move also hopes to get Malaysia back onto the indexes of world stock markets from which it was removed last year and which analysts believe cut the country off from much needed funding for Malaysian companies.

Will it all work? Well, one thing that Malaysia's post-crash strategies have proved is that an unconventional approach is not necessarily an unsuccessful one despite membership of the global village. Malaysia is working hard on its economic recovery programme and is trying to create a better economy by strengthening its financial systems, improving standards of transparency and corporate governance; an economy that could better withstand a future attack on its currency.

Stephen Tariq, managing director and head of sovereign risk at Salomon Smith Barney, believes that Malaysia's economic strategies are working, that revival is right on track but that recovery would be a slow process due to the current global economic outlook.

Clearly like much of Asia, the country is in recession - last year the economy contracted 6.3 per cent - but there are many indicators that the economy has bottomed out and things are starting to improve. Current estimates for GDP growth in 1999 range from 1.2 to 2 per cent, and unemployment is falling from a high last September. Exports increased 2 per cent in US dollar terms in October from a decline of 18 per cent in August, and the Kuala Lumpur Stock Exchange Composite Index is up 400 points from September.

Malaysia can also take increasing comfort from the fact that her allies in the global village are growing in number. When Malaysia's Prime Minister stood up and pointed the finger at the quick-buck tactics of hedge fund managers as a major factor in the destabilisation of Asian economies in 1997 and 1998, his remarks were largely dismissed as sour grapes. Now the cries for reform and regulation of the world's capital markets, for a new financial architecture, can be heard all around the world's conference circuit.

At this month's World Economic Forum in Davos Singapore's statesman Lee Kuan Yew said there was a need for "more intrusive laws as I am not allowing my currency to be published".

Canadian Prime Minister Jean Chrétien called for currency trading controls saying: "We cannot see prosperity disappear overnight because some boy in red suspenders in New York decides this is not a good currency."

Determined that Malaysia will achieve Vision 2020, Dr Mahathir also attended the WEF for the first time in 10 years to woo investors and explain the capital controls. Malaysia willingly acknowledges that while the controls are not the best measure or policy they were and are the only reasonable option for Malaysia, or any small country who finds its currency under attack. Dr Mahathir told reporters in Davos: "if they [hedge funds] are 20 times leveraged and have US\$100 billion there is no way that small countries can fight them." Even tigers try to keep a date with history.

This advertorial was created by the Malaysia Tourism Promotion Board.

Economic and financial data supplied by the National Economic Action Council, Malaysia.

The National Economic Action Council At Work

Formed over a year ago as a task force to steer Malaysia through the economic crisis, the high-powered National Economic Action Council is the country's main weapon in its fight back to full economic strength. Dr Victor Wee, deputy head of NEAC Secretariat, explains how.

Q How would you describe NEAC and its mandate? Does NEAC have any role models whose approach to economic stimulation, organisation or objectives it follows?

A The Cabinet established NEAC on January 7, 1998 to serve as a consultative body in dealing with the economic problems arising from the crisis. Early in its deliberations, the NEAC saw clear signals that Malaysia was heading for a deep recession. The preparation of a comprehensive national recovery plan, therefore, became its top priority.

Since October 1997, Malaysia had already adopted a "Virtual International Monetary Fund" policy for close to eight months. Public expenditure was cut by almost 20 per cent and monetary supply was tightened, including the drastic reduction of loans growth. These measures actually worsened rather than improved the economic situation. Whilst examining the economic prospects of the country, the NEAC raised questions about the suitability of these measures. The reversal in the fiscal and monetary policy came while the National Economic Recovery Plan (NERP) was being prepared. Given the collapse in private demand and the onset of a credit squeeze, it only made sense for the public sector to increase spending and ease money supply so that businesses can be sustained during the worst recession faced by Malaysia since World War II. We are trying to address the problem by tackling it from both the demand and supply side. Although this strategy was in line with sensible macroeconomic management, many observers had initially criticised Malaysia for adopting the strategic argument that this would only court economic disaster. Shortly after Malaysia adopted these policies, the IMF allowed the easing of fiscal and monetary policies in Thailand, Indonesia, and South Korea. The criticisms of Malaysia ceased when the strategy it adopted became the norm for East Asia.

Q Since NEAC has now been in operation for a year, how would you rate its performance, so far? What has been its major success?

A In general, I would consider that the NEAC has performed rather well. The domestic economic environment has stabilised and confidence is returning to the economy. Things are moving much faster than it is possible under the existing structure of government bureaucracy. There is effective monitoring of the nation's economic performance on a day by day basis by the NEAC Executive Committee. Problems and suggestions are presented directly to NEAC through the Executive Director without passing through the normal government bureaucracy and lengthy approval process. If there are merits to the ideas presented, they are acted upon very quickly with the full backing of government.

Q NEAC also tries to be market sensitive. It maintains an open door whereby anyone with suggestions or grouses can walk in and air their views. This "hotline" has given people, both domestic and foreign, the opportunity to contribute to and influence policy. For instance, NERP was drawn up after extensive consultation with various parties, including federal and state governments, captains of industry, trade unions, professional associations, media, women's organisations, non-governmental organisations and multilateral agencies. Furthermore, the fact that Malaysia has just eased the capital control measures by adopting the exit tax as a result of feedback obtained from fund managers illustrates the open attitude of NEAC.

Q The NERP is also critical of several sectors of industry (petroleum for example) and public administrators (state governments). Such public criticism of Malaysia Inc is a new trend in Malaysia. Is this the first step towards a more open and transparent government and corporate sector?

slow, both within Malaysia as well as outside. What's slowing progress down and what is NEAC doing to speed it up?

A There have been many criticisms levelled at Malaysia, but it depends on who is making the criticism and where their sources of information are. Very often, the analyses by correspondents are based on back-of-envelope calculations rather than hard facts. There has not been enough recognition of the work that is being done in Malaysia to navigate us through the crisis. But we have also noted a recent shift in the pattern of reporting because we are starting to read positive write-ups about Malaysia. Writers are beginning to realise that all the doomsday predictions about Malaysia's capital control measures have little semblance to reality.

A December 1998 report by Warburg Dillon Read said that the financial sector restructuring proposals are the best it had seen in the region. The HSBC Securities Report for Winter 1999 believes that Malaysia may achieve bank recapitalisation first despite progress made in other crisis-ridden countries. Analysts from international security companies are now forecasting Malaysia's economic growth rates at around 2 to 3.5 per cent for 1999, higher than the more conservative official growth rate of 1 per cent.

In terms of speeding up the implementation, the NEAC Executive Committee, under the chairmanship of the Prime Minister meets on a day to day basis to monitor the nation's economic performance. The Executive Committee monitors daily changes in the economy, such as bond lending, inflow of foreign exchange, stock market performance and the implementation of NERP. The NEAC works very closely with the private sector and responds very quickly to proposals and measures for bringing about economic recovery.

Q As a government agency, can NEAC be divorced from politics? How impartial can NEAC be and can it criticise government structures, initiatives and decisions if it feels they are bad for the economy and recommend other measures?

A Although the Secretariat for the NEAC is under the Economic Planning Unit of the Prime Minister's department, the NEAC is not a government agency. The task of national recovery must involve all parties, and not merely be confined to government agencies. The members of the NEAC include cabinet ministers, top public officials, representatives from the private sector, as well as individuals who are especially appointed based on their expertise.

A Despite the recession, Malaysia's credit social cohesion and ethnic harmony are still maintained in the country. Hard economic choices will always have to be made for the country to be more efficient and competitive. The country's policy orientation is pro-business and steps have been made to increase economic liberalisation. Given the ethnic composition of the country, there is also the need to maintain social cohesion and ethnic harmony, which are key factors for sustainable growth of the economy. People's quality of life matters. The NEAC is sensitive to how the crisis is affecting the poor, particularly the rural areas, and the small and medium scale industries. For this reason, some funds and social safety net programmes have been established to address these problems.

Q If you be granted one wish that you believe would help NEAC to better achieve its objectives, what would that be?

A There should be a concerted effort by the international community to press ahead with reform of the international financial system. Currently there is too much foot dragging and too much waffle. What is needed is more action and less talk. As long as the international financial system remains unreformed, no country is really safe and no economic growth secured from systemic risks arising from rapid and sudden cross-border flows of funds. The next century will witness the repeat of economic disruptions and regional/country crises unless a new financial architecture is set in place.

Q The pace of reform and the restructuring of various aspects of the economy have been criticised as too

open the NERP contains clear proposals for increasing the openness and transparency of government and regulatory agencies. There should be more timely release of economic information to let the public know and allow better trading of the economy's performance within and outside the government. It also calls for improving the consistency of government policies through consultation and co-ordination. Arising from the recommendations of NERP, the Securities Commission and the Kuala Lumpur Stock Exchange have adopted measures to improve the regulatory environment. In addition, the Finance Committee on Corporate Governance was established to recommend best practices on corporate governance to be adopted in the country. The recommendations of this committee are currently under government consideration.

When adopted, Malaysia should be amongst the best code of corporate governance around, supported by the appropriate reform of laws, regulations and rules.

Q Much has been said about Malaysia's essentially "sound fundamentals" and how they will speed economic recovery in a nutshell what are they?

A Malaysia's export base remains structurally sound and sufficiently broad. Malaysia has a high savings rate of around 40 per cent, and it provides a reliable source of non-inflationary funds for the budget and bank recapitalisation. Although the banking system has been affected by rising non-performing loans as a result of corporate difficulties during the crisis, the system as a whole remains intact and solvent. Inflation is well controlled at 5.3 per cent in 1998 and declining. The workforce is youthful, educated and trainable. There is a large middle class comprising around 80 per cent of the population. The government has a proven track record of acting promptly and adopting bold macroeconomic adjustments.

Q The prime minister has said that the financial experts do not seem to be aware that there is a world beyond money and finance, and cannot see a broad economic picture, never mind the wider political and social ramifications. How does the NEAC balance the need for hard economic action with the need to preserve social tranquillity, political stability and cohesion?

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MALAYSIA TODAY PART 3

The Road To Recovery will appear on March 13

* Look who's investing in Malaysia today

* Preparing to meet the millennium

* Vision 2020 on track

How to Spend It

Designers make their presence

They are turning women into proper lunchers, fireworks, birds, schoolkids, pioneers... and teapots. Holly Finn

She'd be great if she did it," President Clinton was quoted as saying about his wife this week. In the land of the free, brave and short of memory, attention had quickly turned from Bill's chances as Commander in Chief to Hillary's as a senatorial candidate. It was a seamless transfer of potential from guy to gal.

Up north in New York, as the end of men's fashion week seemed into the beginning of women's and some designers showed both sexes on the same runway for the first time, clothes brought to mind politics.

The collections for next autumn were well-spun. But while in the White House it's been decided that a woman's place is, or could be, the Senate, under the white tent

things weren't so clear.

Designers were looking both forwards and back, sometimes both at once. Techno-liberated design didn't dominate; it shared space with dainty debutantes, even girlish pin-up girls. Diane von Furstenberg showed a shiny "life vest" with pockets for a full range of high-tech gadgetry, but it was a joke, unisex leap forward. Next autumn and winter's clothes seemed more hesitant than headstrong.

Carolina Herrera, a New York classicist, never fails to produce precisely right suitings for impeccable dresses. At her show, she sent out cashmere sweaters in red, chocolate, vanilla and black to go with full-cut trousers and skirts to the knee. To these, she added fox wrap-

collars of fur easily thrown on and tied at the waist.

New is her interpretation of the proper lunching suit. Where once there was a trim buttoned jacket and neat skirt, now there is a butter-soft leather skirt and top boasting a red fox collar. No buttons, no zips, no lapels. Wearing a leather T-shirt instead of formal suiting, as long as the panels of fabric are flawlessly pieced together, is now a woman's prerogative. As is throwing on a casual miniskirt to do the shopping.

Herrera's gowns were traditional satin with gaudy pairings of colour: chocolate with cappuccino trim, cappuccino with pale blue, red with chocolate. Often their sleeves stopped just short of the elbow. What more does a woman need?

Decorated with magenta feathers that flapped gently, like mini-wings, as she walked. As with those of most designers, her show flashed back and flew forth.

B Michael, a new arrival, looks to become a classic similar to Bill Blass. An off-the-shoulder party dress in robin's egg blue silk satin overlaid with black Italian cashmere that was cut out to look lacey, was assured. His torso jackets in grey Italian wool boucle or persimmon Italian wool or shadow blue cashmere - with either pencil or grid skirt - were traditional with a tweak.

Fitted in front but swinging loose like a cape in the back, they were one piece looking two ways, tailored and casual, the best of both worlds. What more does a woman want?

Tomasz Starzewski, one of the British invaders who swooped into New York this week and made a splash, was more obviously focused on the future. His leather was a silvery pewter. The

silver orbit-shaped oval rings

would look right on the best star ship. Even a mini-tweed drop-shouldered jacket and matching dress

was less overdyed; a modern take on the old standard: tweed gone soft.

Starzewski's strapless ballgown in lilac guaze was less forward-thinking, though. It was very pretty, and very familiar. And as arresting as the sight of his ivory sparkle-feathered column dress was, it might also have been called Woman As Bird.

In the notes to her DKNY

show, Donna Karan, the archetypal New Yorker,

described the clothes as "An urban study of tact and nature. Finding comfort in modernity. Balancing function and touch. Body with environment. Every element advances mobility."

Would that a moulded nylon parka

and a pair of moulded jeans

could do all that.

In now-familiar DKNY

style, there were duvet

coats, turtle necks and jeans.

Colours were stark - icicle

and glacier, stone and polar

(white) - as was the music

played during the show

which sounded like glass

breaking. But there was also

a fiery red felted wool dress,

a big droopy oat-coloured

blanket coat, and lots of big,

comfy hand-knit sweaters.

The division between hard

and soft was marked: for the

tough, there was a high-tech

cotton parka with neon

orange trim; for the tired,

cozy. A cross between a

turtle neck sweater and

shawl, these shrunken,

hand-knit capes are inge-

nious. Pulled on over the

head, cosies add extra

warmth to the torso while leaving the arms free. A new look, and liberating in a way, but they paint a funny picture: not Woman As Bird, Woman As Teapot. No matter, they're perfect for a cold night's reading.

BCBG Max Azria showed

similar sweater capes, only

smaller, in loden wool and

mocha cashmere, paired

with sweaters, skirts and

cowboy boots. With their

wild west touch they looked

less teapot, more tease.

Nudging further towards

the frontier, holster-pockets

were slung over a black wool

felt long skirt or a parchment-coloured tulip beaded

slip or a vermillion mohair

strapless dress. Maybe in

BCBG a woman could have

some fire power.

But then, what to make of

the tie-back apron dresses,

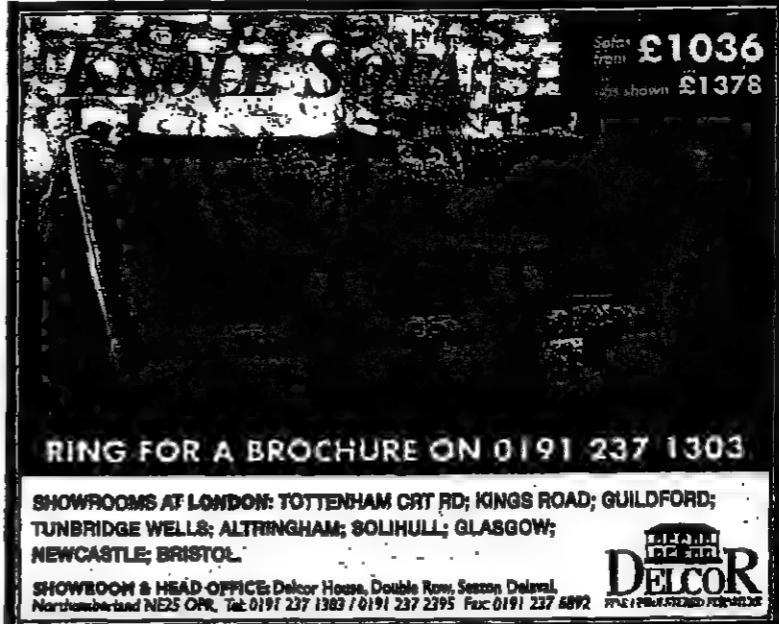
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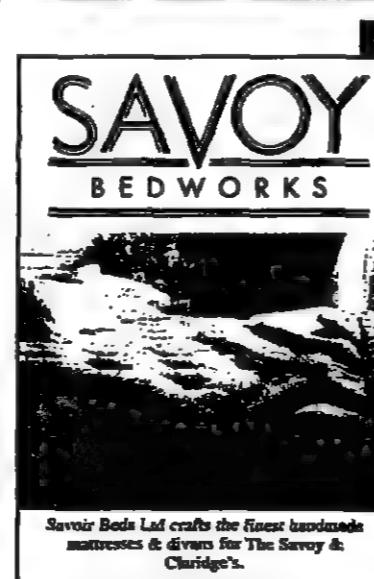
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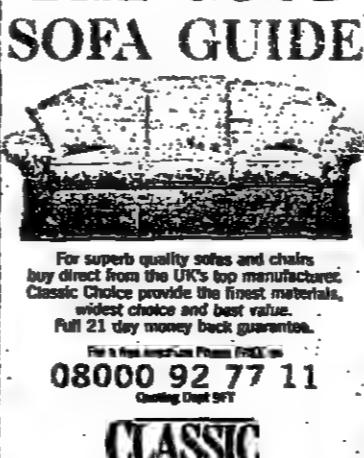
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How to Spend It

felt

reports from New York

in moccasins and in black leather? Marc Jacobs showed them as well, in felt and cowhide and, most confusingly, metallic tulle.

Maybe it's just the name, but don't apron skirts sound a bit reactionary? (Like "hoop" skirts, which a designer called Barbara Buai showed, in ecru wool, felt and nude leather.) Updated fabrics, outdated message. Go to the frontier. No, go to the kitchen. These times, these clothes, at once dare and baffle.

Felt wasn't just for aprons in Jacobs's collection. It was everywhere. In contrast to the cavernous and ornate former bank on 42nd Street where his show was held, Jacobs's use of the fuzzy fabric was comforting. Felt skirts, felt sailor pants, felt pea coats, felt capes, felt dresses — they were as simple as being seven. Unfortunately, sometimes the wearer of a felt dress over a wool muslin bib, which looked like a school pinata (or was it a piñata?) will actually look prepubescent.

The man known for finest cashmere remains an expert on the subject. From thermal T-shirts to jersey turtle necks, his weaves were silk and chic. And his double-faced pea coat with big buttons, in ocean blue, would be a worthy buy.

Oscar de la Renta remains an expert in his field as well. That is, taste. Others design down. He has designed a deep ruby silk smock with fur trim worn with olive silk faille jeans, a fuchsia Duchesse satin parka worn with black pants, and silk parkas in shades of beige worn with a long crewel-embroidered skirt with scalloped hem or with silver silk pants.

Others, stamping modernity, use flashy underlining fabrics. De la Renta used wool that is a subtle mix of camel and blue, cutting it into a crisp A-line coat and dress. (Only de la Renta's brushed wool coats in pink, orange and yellow, seemed to move forward too fast. Unstructured and casual, they would look startling over a satin dress, but only if you are young and flirty. Otherwise they could easily look cheap than they are.)

A black embroidered tulle skirt and a blue lace and tulle embroidered evening dress was this collection's intersection of past and future. What could be more 1950s-debutante than tulle? And what could be more millennial than laser-like sparkles sprinkled all over it?

Ralph Lauren's collection, as ever, gauged the mood of the moment accurately.

"Felt" read the notes to his show. "It's the essence of the collection and its simple strength is reshaping the way we dress." Double-faced felt cashmere appeared in light grey and light blue. Shapes were relaxed, jackets swingy, trousers both pencil thin and loosely flowing. Silk cream felt dress might have looked like a pinata, but sliding it close over a cream cashmere shell, Lauren made it sleek and modern, even wise — something a smart woman would put on.

There was even felt wear: an orange felt gown and matching orange felt coat

can winner of the Nobel Prize for Literature — delighted the audience. They were not sure what to make of Westwood, but the corners of their mouths were upturned, warming to her elusive charms. Westwood could be good for American women, taking over where Isaac Mizrahi left off, urging them to laugh more.

Philip Tracy, another of the British phalanx, didn't just make New York chuckle, he made it roar. His show started at 8pm and the Tattinger had been flowing, but it was still his whimsy (and perhaps, Gracie Jones's modelling) that roused the crowd. American fashionistas don't whoop, but they whooped for him.

It was a high-style Dr Seuss, but even more entertaining than *Cat in the Hat*. There were creations that perched atop the eyebrow, that fanned out in feathers from an ear, that covered the face with mesh-metal, that sprang like an anemone from the forehead. There was even one with articulated metal branches and nine blue plastic discs swinging from them like a mobile.

Odd that an Englishman, and a miliner, should come up with the most thrilling samples of what American women could desire — and get — looking towards 2000. As the old saying goes: "If you want to get ahead, get a hat."

Clockwise from top left:
■ **Prissyandler:**
Tomasz Starzewski's strapless halter in illic gazar
■ **Wearable and saleable:**
Vivienne Westwood's tailored coat

■ **Fashion's intersection:**
de la Renta's lace and tulle embroidered evening dress

■ **A whooping success:**
one of Philip Tracy's entertaining creations

■ **Classicism with a twist:**
butterscotch leather skirt and top with fur collar by Carolina Herrera

■ **An expert on the subject:**
chic weaves from Marc Jacobs

Photographs by:
Chris Moore and Reuters



Not long ago, there were reports of a loud crash along a stretch of American highway. Police were called in to investigate, but could find nothing — until they looked up. There, several hundred feet above the road, they saw a Volkswagen Beetle embedded in the side of a mountain.

Before his dramatic deceleration, the driver had been using a novel source of added power to speed things up. He had belted a jet engine to his car.

This is an extreme misinterpretation of "fractional jet ownership". The term, after all, is slightly obscure, but what it amounts to is the fastest growing market for small jets in the history of civil aviation.

Fractional jet ownership is the most luxurious of compromises; that between chartering an occasional chartered jet and buying a small business jet outright.

It is a neat solution for those who are in regular need of private jet space, but have no desire to cope with the hassles of owning and maintaining their own aircraft.

Overnight companies have in effect created time-shares in the air. For an initial price of between \$30,000

(for a Cessna Citation SII) and \$1.9m (for a Gulfstream GIV-SP), you become the owner of one-eighth of a business jet. With that, you earn the right to between 75 and 100 flight-hours a year. If you want more, you buy a larger fraction.

The company takes care of maintenance, parking, booking of take-off and landing slots, and hiring and training the crew for a monthly fee ranging from \$10,000 to \$20,000 for a one-eighth share. Then, all you pay for is the time you spend in the air, which typically costs between \$1,200 and \$2,800 an hour.

While the GIV costs just over \$31m to own outright, buying one-eighth of it costs only \$3.8m. And that doesn't include the expense of running it, which could easily add another \$1m a year.

Stephen Phillips, director of marketing at Bomber's FlexJet, estimates the average cost to a fractional owner of flying a Challenger 604 to be about \$2.32 cents per mile.

In 1997, on the strength of fractional ownership, sales of small jets increased by 35 per cent.

The largest provider, NetJets, has ordered 525 aircraft over the past six years but still has a long waiting list. Several other manufacturers have created their own programmes. Bombardier's is known as FlexJet, Raytheon's is Travel Air. And, though not a manufacturer, Executive Air Transport of Switzerland is offering Smart Jet — a service to fill the gap between its charter service and its aircraft management for owners.

Richard Santilli, a mathematician by training and banker by profession, started NetJets in 1986 with a handful of jets, an idea, and some calculations on the predictability of probable client movements.

In the beginning, he had to give money-back guarantees just to get people to try the service. By 1990, just as NetJets was starting to turn a profit, the US economy went into recession. Santilli

was afraid he couldn't let you have a look at the cockpit — you don't own that bit!"

had none of the headaches of training or scheduling pilots, or waiting on maintenance checks. This way I just call them up and a plane is there when I want it."

About 75 per cent of NetJets's clients are executives of large companies that have decided to supplement their corporate jets with part shares in other aircraft, or have eliminated their own flight departments. Tiger Woods and Pete Sampras are fractional owners. Sampras believes it will prolong his career by reducing the stresses of commercial travel.

In the US, for example,

commercial aircraft fly into only one-tenth of the airports accessible to a small business jet.

To counter concerns about safety, training of pilots and maintenance of aircraft exceed industry standards. Companies offering fractional ownership know that it would take only one accident for fractional to take on a gruesome double meaning.

At present, the US is

ahead of Europe with this idea: NetJets has 150 aircraft in service and more than 1,000 clients there. The European service will add its 10th jet in April.

Buffett should change things quickly. "We are still small in Europe," he admitted, "but we will be pushing hard around the world over the next couple of years. Last year our clients flew from the US to 95 countries; it makes sense to have a worldwide fleet."

Some say it will be more difficult to get the idea off the ground in Europe because of the complexity of navigating the airspace of several countries, and the congested skies. You can have an aircraft waiting for you at six hours' notice, but nothing guarantees it will be able to take off. After the Grand Prix in Monaco last year, business jets were backed up for two days in the south of France waiting for departure slots.

It is ironic that to benefit from a fast and convenient time-saving service, you may have to wait a year or two.

■ **Executive Jet (NetJets USA)** 1 800 821 2299; **NetJets Europe** +41 41 798 1616; **Executive Air Transport** +1 800 353 9538; **Travel Air** +1 816 676 8000.

Time-shares across the skies

Ed Lamont finds a way to have your own private jet without buying it



stuck with it until buyers returned.

The family's enthusiasm for the service convinced him to do some free advertising to Santilli, and to mention his interest if Santilli wanted to sell. Late last spring he said he was interested, and we got a deal very quickly," said Buffett.

In July 1998, Buffett bought the company for \$725m. "Owning a whole plane doesn't make sense, even for me. Capital costs are terribly significant, and if you are only going to use one-eighth of its potential, it is like buying eight houses to live in one. It just doesn't make sense," he explained.

Buffett is now selling his corporate jet to become a customer of his own company. "I'll save a bundle. I

FOOD AND DRINK

It seems hard to imagine now, but when Martin Cantegril opened the Récamier, the authorities were only just taking down the barricades and picking up the cobblestones scattered by the revolution of 1968. It was still the France of de Gaulle.

So much has vanished since then. The past decade has been the worst as restaurateurs have buckled under a monstrous burden of taxes and social legislation which threatens to rob France of the pre-eminence it has enjoyed in gastronomic matters since the mid-18th century at the very least.

What makes Le Récamier so reassuring is that it seems so little affected by the crisis. It is still the same snug, comfortable restaurant that it was, with a faithful clientele of publishers, politicians and locals. Until she

Down with revolution, up with dignity

Old-fashioned, Burgundian and proud of it. Giles MacDonogh visits Le Récamier

died last year a woman in her 80s had lunch there every day. She lived alone in a flat upstairs and had never learned to cook. The simplest solution was to go downstairs where her table was always set.

It has to be said that the restaurant's customers are not always as dignified. Eating there shortly before Christmas I watched a man who was old enough to know better combing his hair and presenting himself in the mirror. He then carried on repeated loud conversations on

his mobile telephone and smoked like a wet November bonfire.

When I was joined by a Parisian friend she exclaimed: "Had Mar-

tin been here he'd have thrown

out your hat!"

Cantegril's warm bonhomie was indeed the only thing we lacked, but he has an admirable "second" in Eric Sertour. Lunch was cooked by the same chef, Robert Chassat, who has been

there for 20 years.

The menu also has a comforting permanence about it: not too many surprises there. Look in

for Sarawak spices or Nanking noodles, you will not find them. This is an old-fashioned Burgundian restaurant and

proud of it.

You may think it's old hat, but just when did you last see these advertised: *jambon persillé? Oeufs en meurette?* Or *bœuf bourguignon?* And they were good too.

I indulged myself. The kitchen prepared a plate of the ham as an *amus-gueule*. Then I had the egg with its rich red wine and bacon and mushroom sauce. Next came a pike mousse with Nantua

sauce. This is a slight variation from the classic canon, which stipulates a sausage-shaped "quenelle", but it is a difference only of form.

The rarity of crayfish in con-

temporary France (when you can get them, they seem to have come all the way from China) might explain why I was told that the sauce was flavoured with lobster shells.

The pike was followed by a deliciously dark *bœuf bourguignon* which was served with *tagliatelle*. A fondness for noodles is evident

elsewhere on the menu. It is an odd culinary mannerism which is almost certainly attributable to the owner himself. He is a restaurateur of the old-fashioned sort. He, rather than the chef, rules the roost.

After the beef there was room for a little cheese: some blue *fourme d'Ambert* and a deliciously ripe *Rocamadour*, a little disc of almost liquid goat's cheese. This allowed me to polish off a wonderful glass of bur-

gundy. For wine is the other reason for

going to Le Récamier: it possesses one of the best lists in Paris.

A wad of paper the thickness of a scientific report, but rather more interesting: it contains vintages of claret, burgundy and Rhône wines going back to the 1950s.

I had heard a distressing rumour elsewhere in Paris that Cantegril had sold his cellar. I questioned Sertour closely. He said, this was not the case, but he added with some embarrassment, the 1998 Hermitages had made their way to Christie's. That was all.

Let us hope it is not the thin end of the wedge. Another move like that and it could spell revolution.

■ *Informations: Le Récamier, 4 rue Récamier, Paris 75007. Tel: +33 1 45 48 86 58. A la carte FF 120 before wine.*

Watering holes

Ghosts drown their sorrows along the bar

Peter Millar, fond of a pint of the black stuff, is astonished at what passes for Irish in England

It is one of the favourite French aphorisms that the English vice *par excellence* is mæochism. This may be so. How else to explain the almost fanatical adulation for the popular culture of a nation that has, for most of the past half-millennium, regarded England as its mortal enemy? I am talking, of course, about the Irish. And the Irish pub in particular.

Not the real Irish pub, of course. Anyone familiar with old Dublin knows that a proper locals' watering hole – as opposed to any of the trendy nightspots around Temple Bar – is a dark place, with a long bar at which silent men sit sipping what Flann O'Brien, the Irish humourist, called "a pint of plain". Music would be an abomination; it would drown the racing commentary from the television.

In the past half-dozen years, however, while the IRA have drifted in and out of ceasefires and the City and Docklands witnessed their destructive acts, the Irish pub has completed its colonisation of the British mainland.

Take Scruffy Murphy's in Fleet Street, for example, which is one of a chain of nearly 40 pubs in the UK. At first glance it might seem unchanged since the early Victorian era, all wooden

authenticity as "Mainstreet USA". The perpetually piped Irish Music is as genuine as Disney's Little Mermaid is Danish. In Dublin bars the jukeboxes play U2. The Corrs or Sinéad O'Connor; these days, you have to come to London to get the Dubliners.

And there you have it in a word: "bars". The Irish do not have pubs. Never have done. They have bars, like their American descendants. The word "pub" goes with the adjective "English". The English invented it. Which I suppose is why, like so

many other quality English inventions, it is being sold out.

The irony is that, unlike its clones throughout the rest of the country, not to mention Sydney, Australia, and Waco, Texas, and the equally phoney O'Neill's chain run by Bass, Scruffy Murphy's in Fleet Street actually used to be an "Irish pub".

That is to say, it was an English pub run by an Irish landlord. It went under the distinctly un-Gaelic name of The King and Keys, and it was frequented – indeed, almost inhabited – by journalists from The Daily Telegraph, for the prime reason that it was next door to their office.

There was indeed a television over the long bar, although it was rarely turned on, journalism being a loquacious lot. The landlord was called Andy, and he was one of the most unwelcoming, foul-mouthed publicans I have met. Yet the King and Keys was the stuff of Fleet Street legend.

In the corner by the door, the Telegraph's late, lamented and respected political commentator, Peter Urey, used to develop touching relationships with the young women who, he being blind, were hired to guide him. The decor was not so much early Victorian as Indian restaurant, with the

crimson flock wallpaper worn in a line along the wall by a succession of would-be wise heads leaning against it.

Even today, I swear I

could just hear – above the diddley-dee from the built-in speakers – the ghost of a

Telegraph journalist, ham-

mering on the upstairs sitting room floor where he had bedded down on being locked in one night after closing time.

Today's Scruffy Murphy's is not an unpleasant place, in a chainstore sort of fashion, even though some of the decor has not improved; the

walls, for example, look like they might have been decorated by K-block internees during the "dirty" protest.

With the old Fleet Street only a memory, no doubt the marketing men would argue that a "theme pub" caters for the new audience.

Instead of the Telegraph

next door, there is Goldman Sachs, the investment bank. No doubt its well-heeled employees would never dream of complaining at being charged £2.45 for a pint of Guinness.

An indication that their drinking habits are more moderate may be the fact

that Scruffy Murphy's does special wine offers on Monday and Tuesday: buy two generous 250ml glasses of Californian Blossom Hill red or white and keep the bottle. Andy would have thrown it at them.

■ *Scruffy Murphy's in Fleet Street is on 0171 833 2461.*



A pint of stout please: Treasa Sweeney, manager of Scruffy Murphy's in Fleet Street, London

Justine Aldred

Hate entrails, love boudin

Anissa Helou eats some of the best andouillettes in France

What's in a name? Ask people if they eat entrails or blood and most will pluck their lips. Ask the same people if they eat *andouillette* and they will probably say they love them. But *andouillette* is a short fat sausage usually made from pork entrails and *boudin* is another made with blood.

The most famous and, reputedly, the best *andouillette*, comes from Troyes in north-east France where it is still made by hand. The

dressed meats – all pork, two thirds intestines to one third stomach – are coiled and then encased into the large intestine with the help of a wooden spatula and a thread. This process is known as "tirer à la ficelle" (pulled with a thread).

Whenever you read this description, or see the word *ficelle* on a restaurant menu, you will know that the *andouillette* is hand-made. Another label that signals quality is AAAA which stands for the Association Amicale des Amateurs d'au-

tentiques *Andouillettes*, a gastronomic society that upholds the authenticity of *andouillette*.

There are many regional variations. In Lyons, for example, they use *frise de veau* (veal membrane) instead of pork intestines.

Andouillette is pre-cooked in broth or milk and usually sold coated in aspic jelly or breadcrumbs. All you will have to do is grill or fry it, or for a slightly more elaborate dish bake it with shallots and white wine as in the recipe below.

Some people believe that *andouillette* is merely a big, black *andouillette* but even though it uses the same ingredients, pig's intestines and stomach, it is prepared differently. First, it is smoked for two months, hence the black skin, then

tied, cooked in water or broth and dried.

It is generally eaten cold, sliced thinly, although it can be served hot after having been simmered in broth. The finest *andouillette* comes from Vire in Normandy or Guémené in Brittany. The *andouillette Bretonne* differs slightly from the *Normande* in that the meats are left whole instead of being chopped. *Guémené andouillette* is protected by a trademark whereas the label, *Andouillette de Vire*, is used all over France. For the genuine article you should look out for the word *authentique* on the label.

Rabelais, the author of *Gargantua* and *Pantagruel*, mentions *andouillette* in the latter as a favourite dish of his contemporaries. As for *boudin* it is one of the oldest cooked "meats" and is made

all over Europe. It is made with pigs' blood and fat. The mixture is seasoned with spices and herbs and funnelled into an intestine casing. It is then cooked very gently in a broth.

There are endless variations: onions in Paris, chestnuts in Auvergne, rice in Spain or oats in Scotland. *Boudin* is sold in individual pre-sealed pieces or cut from a length to be fried or grilled and served with apples or potatoes. There are some that are eaten cold, though, such as the Catalan *butifarra*. The Norwegian blood sausage looks like a black *salami* and is eaten as such.

It seems that much aversion to offal is engendered by the words that describe it – or perhaps it's a primal fear of the sight of any internal organ.

One of the most telling

examples of a psychological turn-off happened when I was travelling with friends in Greece. We stopped at a *kotopita* (see recipe below) stall for a snack. We were all enjoying our meat until someone asked exactly what we were eating. Once I finished explaining which parts of the animal were involved only with us continued with the meal.

Then, rinse them well and drain.

Rince and drain the *skortaria* before

dicing the meat into cubes about 5cm² in square.

Season with oregano, salt and pepper to taste and thread on to long skewers, alternating the pieces, until they are finished.

Tie one end of the intestine around the top end of the skewer and bring it down to cover one side of the meat. Tie it around the skewer just under the meat and bring it back up to cover the other side. Repeat until the meat is covered on all sides; then start wrapping the intestine round the meat in a spiral. The more intestine you have around the meat, the better.

Mix a little olive oil with the lemon juice and brush the *kokoretsi* with it.

Season with more salt, pepper and oregano and grill slowly, brushing occasionally with the oil and lemon mixture until the meat is cooked through. Serve immediately with a mixed salad.

■ *Andouillettes au four*

(serves two)

I usually serve these with a *caloric* or

potato purée but you can also serve

them on a bed of *choucroute*.

5 shallots; 25g/1 oz unsalted

butter; two *andouillettes*, 100ml/3.5

fl oz white wine; sea salt and

freshly ground black pepper.

Preheat the oven to 350°F (180°C).

Gas Mark 4. Chop the shallots very

finely, then put the butter in a

small oven-to-table dish and

melt over a medium heat. Add the

shallots and cook until soft and

translucent.

Make three or four diagonal

incisions into the skin of the

andouillettes to stop them

bursting and fry with the shallots until lightly golden. Pour in the wine and

transfer the dish to the pre-heated

oven. Bake for 20 minutes, turning

half-way through. Serve hot with a

few changes of soap and water.

■ *Greek Kokoretsi*

(serves two to four)

Kokoretsi is a kind of fresh

andouillette but filled with the

pluck of sheep and kidney. It is usually

prepared and eaten the same day.

The following recipe comes from

Greek food writer Rena Salaman.

Sikotaria means liver in Greek but the word is also used for pluck. Kokoretsi is traditionally grilled over a charcoal fire, but you can also cook it under a regular grill or even over a gas fire.

Lamb's intestines: one to two

sikotaria, depending on how small;

dried oregano; sea salt; freshly

gnity

Hooray for the humbug

Nicholas Lander welcomes a book about traditional British foods

Last week, when a family butcher in Scarborough, Yorkshire, closed its 123-year-old secret recipe for pork pies was sold for £250 to a seafood restaurateur who will ensure that it continues to be made. What is perhaps most surprising about this event is that it was reported on BBC Radio 4.

In Britain, the importance of food is being discussed as never before. One reason for this is the increasing number of food scares. BSE and genetically modified crops are the headlines of the day.

However, we need to get these debates into perspective. Eating is and always has been, unless you are prepared to be entirely self-sufficient, a risky business. Wild food can be as dangerous as the highly processed variety.

One of today's great problems is that with more people farther from the soil and the source of production, we rely ever more heavily on the media for our information. And what we are told by press, radio and television may often appear contradictory.

For example, we hear that Britain has never before produced so many good native cheeses; nor so many television

in London earlier this year as part of a 50-strong delegation from the International Academy of Culinary Professionals, they were impressed with the manner in which British food writers were waging the battle over hygiene and food safety but dismayed that they could not get a single recommendation for a restaurant serving top quality British food. (One, too late for them, is Ferguson Henderson's cooking at St John, Smithfield, near the City, tel 0171-261 0848.)

The publication this week of *The Traditional Foods of Britain* finally gives all those involved in disseminating the virtues of British food, whether as chefs, writers or cooks at home, the chance to catch up with Britain's gastronomic heritage.

In doing so we must acknowledge a debt to the most unlikely of sources - the EU bureaucrats who, thankfully, sponsor Euroterroirs, a body that exists to describe and extol traditional products.

To merit an entry in this book a food must have fulfilled four criteria: to be linked to a region; for example, Banbury cakes; to have a demonstrable tradition that has extended over three generations; to require a specific body of knowledge for processing and to be still "alive" or marketed. Astonishingly, given the British supermarkets' grip on the food chain and government indifference - neither the Ministry for Agriculture, Fisheries and Food nor its Quango Food from Britain expressed any interest in publishing this book - more than 400 different foods, drinks and sweets have survived and meet the criteria.

There are histories of the fruits that so many overseas chefs envy: "Forced" Yorkshires, rhubarb; damsons and leek leeks. There are explanations of the different processes behind the huge variety of smoked fish, kippers, trout and sprats that saw our ancestors through the winter months as well as the more unusual spot, the name in Orcadian dialect for the razor shell clam. There are histories of several breeds of pig, such as Tamworth and Gloucester Old Spot, and sheep, such as Romney and Welsh Mountain which, given the sharp fall in market prices, may one day disappear from the hillsides.

What makes this book really worthwhile is how widely the authors have delved into the British way of eating. Here are ported histories of the muffin, Blackpool and Edinburgh rock; Melton pie, salt; Marmite and drinks such as Dandelion and Burdock, Tizer, Earl Grey tea and Irn-Bru, which began life not in an advertising agency but as Iron-Brew in Scotland in the 1900s. Nothing is too mundane - there are even histories of the custard tart and the humbug. As food writer Tom Jaine explains in his introduction: "Even the horrid ones (foods) represent a pattern that was once our own or that of our ancestors. Their presence, even their passing, should be marked."

The publication of this celebration of Britain's foods is timely. Coming at the end of a decade which has seen so much damage to British food and farming it vividly illustrates how much we still have left to safeguard.

The Traditional Foods of Britain (Prospect Books, 416 pages, £19.99) was originally researched by Laura Mason and Catherine Brown and subsequently turned into book form by Tom Jaine.

The demand for healthier foods has never been greater

programmes about food - yet the general level of cooking skills has never been lower.

In the US, chess rival Hollywood stars in the publicity stakes. Organic farmers' markets are springing up in every big city and the demand for healthier food has never been greater - yet obesity levels have never been higher. The country seems fat-obsessed; an attitude summed up by New York food writer Susan Wyler: "We Americans want to eat like horses and stay lean."

In France, McDonald's shares are traded on the Paris bourse, the city that gave birth to the world's first restaurant. The French hypermarket marches on - threatening and causing the closure of many small village butchers, bakers and pâtisseries.

Yet in one significant respect Britain's attitude to food is different from that of so many other countries.

Britons seem determined to sever all gastronomic connections to their past. France rigidly uses its *appellation contrôlée* system to protect 33 of its best-loved cheeses. It takes to court those who try to reproduce Roquefort in Latin America or Reblochon in Cuba.

Britain has squandered this birthright to such an extent that the geographic name Cheddar, as long ago as the 16th century the most renowned and expensive cheese, can now be used by any cheesemaker worldwide.

In America, more and more restaurants are offering regional menus such as Cajun, Creole and South-West cuisine and, in the words of Rick Rodgers, a New Jersey food writer, "any restaurant serving good fried chicken and mashed potatoes is deeply admired".

When Wyler and Rodgers were

summarising truffles, smooth truffles, Bagnoli truffles, grey truffles and Burgundian truffles.

The also-rans of the truffle world have long had their uses in the lougher areas of production. Generally any bag bought by a broker contains a percentage of lesser quality truffles which are promptly resold to the canner. It is the consumer who is the ultimate dupe when he pays a small fortune for a can of jam containing neither the *melanosporum* nor the *albidum*.

White truffles may be confined to Italy, but are as often to be found in Umbria as in Piedmont. Then come the rest: brûmiale or musc truffles, Chinese truffles,

Giles MacDonogh samples the lesser delights of the truffière's world

magnatissima which he hopes will lend its aroma to his dish.

Commercial norms established in October 1998 - which came fully into force in time for the 2001 crop - will go a long way towards eliminating the many frauds which have blighted the truffle trade. They have also had the effect of adding some value to the lesser breeds of truffle which - although they lack the enormous aromatic potential of the so-called Alba and Périgordine - are not to be despised.

The Burgundian truffle or *tuber uncinatum* is a case in point. Unlike the *melanosporum*, it prefers a cool, maritime climate and plenty of shade. Although the centre of production is Burgundy, it can be found as far north as the Ardennes and as far east

as Lorraine. Every year between six and 15 tonnes come on to the French market as opposed to 10 to 30 tonnes of *melanosporum*.

François Beaumamp, president of the Burgundian Truffle Producers' Union, even goes so far as to suggest that Burgundian truffles could exist in Britain given the right sort of conditions. He thought Sussex, for example, ideal. This does not seem far-fetched; they have already been shown to exist in Belgium, Italy, Switzerland, Luxembourg and Germany. Beaumamp thought the truffles from the region of Magdeburg eaten at the table of Frederick the Great of Prussia were none other than his own *uncinatum*.

Vegetation is the clue. Before you can produce truffles you need to create the habitat in which they

thrive. This means planting truffles with oaks, hazelnuts, hornbeams, lindens and Austrian black pines at a density of 1,000 trees per hectare (roughly 2½ acres).

After a decade or so, you

A subtle nuance was injected into crayfish sunk in a blancmange

might find your dog excavating a truffle or two. The immature ones are white. With time they go grey and finally chocolate-coloured, but never black like the Périgordine.

I met Beaumamp at Jean-

Barnabé's excellent restaurant in Auxerre on the Yonne. It was the feast of Saint Vincent, and Barnabé had prepared a truffle menu for the occasion. The chef informed us of the strengths and weaknesses of the Burgundian truffle. As with the Alba, you needed to be careful to preserve its aromas in cooking. At its best it was simply heated, or grated on to the finished dish. Barnabé demonstrated with a little tart of scrambled eggs - where the flavour of the truffle dominated - and another of smoked salmon - where the truffle was lost.

A subtle nuance was injected into a lovely dish of crayfish sunk in an almond milk blancmange. The creation which really revealed the power of the little Burgundian to the full, however, was some roast veal served

with a potato purée almost black with truffles. The secret of reaping the full potential of the truffle, I was told, was to keep it with the butter, adding both at the final stage of the purée.

I had a Scottish neighbour at dinner that night. He was most impressed by the potatos. He told me that he was

planting a truffière at home, and had already mustered the right collection of trees. Within a few years he told me, he would be producing truffles in Dumfries. If that ever happens there will certainly be much walling and gnashing of teeth in the traditional centres of Périgord and Alba. And it will serve them right.

■ Anyone interested in Burgundian truffles should contact Yonne Loisirs on +33 3 86 72 92. For Jean-Luc Barnabé's restaurant call +33 3 86 51 65 85.

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FOOD AND DRINK



Fangs for the memory...

Kevin Pilley goes rattlesnake hunting in Oklahoma

The White Fang Society is an elite and highly select dining club. You are invited to join. Often posthumously. Members risk likely lesions, possible amputation, potential paralysis, probable reconstructive surgery and almost certain convulsions. On the initiation ceremony menu are traditional American delicacies such as Potted Poison, Miss 'n' Bite and Rattlesnake Chili.

And newspaper, *The NCS* (National Crotaline Society) News. "Arrived here," explains veteran hunter Peppy Wenglarz, "rattlesnake hunting is a test of a man's mettle and a gauge to his worth. It gives us something to talk about apart from the weather, women and wheat. Snake-hunting is no ordinary foot trip. It's no walk in the park. It's difficult to describe the feeling you get stumbling on a desert out there in the gypsum hills and seeing this big thing coiled up one cup of deboned meat.

The record for the largest snake ever caught and killed was in 1992. The snake measured 86in from fang to rattle. "An 8ft snake can feed 20 hungry people," says Possey. "We do burgers and salad at the fair. Rattle-snake tastes very like chicken. It's a tasty bite."

Fang Casserole, Snappin' Spaghetti and Snake Bake all feature in the recipe book. Dishes such as smoke chowder, pit viper jalapeño and barbecue favourites like Wiggle Waggle and Fang and Elbow Stew are explained in detail in the collection. The instructions for making snake chili are: "Cook up your mince and onion and beans and fried onions. Add one live snake to taste and simmer." There is no need to stir. The wriggling snake does that for you.

In Australia, water buffalo and witchetty grubs are served, but not snakes. Some Texan restaurants are beginning to serve snake as a novelty. It occasionally appears on menus in New York. Vinaigrette-style sauces and citrus flavours are recommended as good accompaniments.

Cec Clark, the local snake butcher in Okene, sells to a restaurateur from Chicago who visits the Rattlesnake fair every April. "You got to handle the snakes with care. They can pee 360 degrees and even decapitated can be deadly for up to two hours after they are dead."

Adie Wenglarz: "You must be careful not to overcook rattler. Otherwise it can be rubbery. It is difficult to prepare because it has a lot of bones like fish. When somebody serves you rattler meat off the bone you are eating a bit

Rattling good recipes

POTTED POISON

Two medium rattlesnakes, 2lb salt, 1 tsp pepper, 4 bay leaves, 1/2 medium cloves; 2 tsp peppercorns, 1 tsp whole allspice, 2½ cups vinegar

Remove heads, skins, and guts of 2 medium rattlesnakes (or buy 3 lb of freshly butchered meat). Wash, rub with salt and pepper. Cut into 2in pieces and place in a baking dish, scattering over onions. Pour vinegar over meat. Bake for two hours at 275°C. Cool and refrigerate.

HISS AND BITE

1lb bacon cut in 1in pieces, 1lb cooked, ground rattlesnake meat, 3 medium onions, chopped, 2 large green peppers, chopped, 6 tomatoes, 3cobs of corn, 1½lb diced cheese, salt and pepper

Fry bacon, add onions, peppers, tomatoes, corn and snake meat. Heat thoroughly and add cheese. Allow cheese to melt and serve with hot bread and crackers

of history. Few people appreciate that fact or the effort which has gone into catching the darned thing. We all hunt fish and quail. But you don't have a near-death experience fishing for catfish."

■ The Rattler Recipe Book is available price \$2 plus p&p from International Association of Rattlesnake Hunters, Main Street, Okene, OK 73247, US. All proceeds go to charity.

Bibendum of London, NW1).

And finally, one of the most sumptuous reds on general release, Casa Lapostolle Cuvée Alexandre Merlot 1996, made by Michel Rolland of Pomerol from grapes grown in the land of flavours. At £39.49 in 121 Safeway stores, it is seriously worth seeking out.

It may or may not be high in flavours, but is absolutely blooming delicious.

Jancis Robinson

Wine

Elixir of life runs low

running low. Several seriously fine southern hemisphere wines can be tracked down in Safeway's more glamorous supermarkets, however.

It has therefore only itself to blame or congratulate if, as other retailers report, its stocks of this particular elixir are

Patagonia, my dear - and just 25.99 for a deep, dark, savoury red with real backbone as opposed to the fury velvet that characterises so many reds from Argentina's hotter wine regions to the north.

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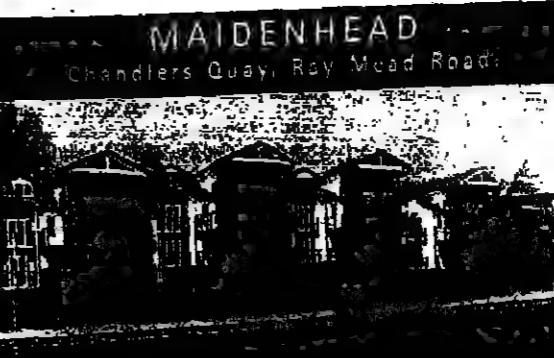
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PROPERTY

Reality settles on Berlin after the goldrush

The market may have sobered up, but the new German capital still buzzes, says Gerald Cadogan

The Berlin property market became "a goldrush" after the fall of the Wall on November 9 1989. "German and foreign companies raced to get a bit of the action," says Heinrich Ehrl of FPD/Savills.

Developers foresaw a new prosperity for Germany's largest city (3.5m inhabitants), especially with the federal government's planned return to Berlin this year after its long sojourn in Bonn. Property prices continued to rise until 1994.

But in 1995 they turned rapidly downwards and now reality far outweighs expectation. Big differences in value between the eastern

and western sectors of the city have not disappeared, principally because there is so much still to do in bringing east sector housing up to normal (west) German standards. Refurbishing is a long business, which will now take still longer since the tax breaks for this process ceased last year.

Flats to rent are in oversupply, which is to a large extent a result of the British, French and US garrisons departing in November 1994.

The outlook may have turned sober but there is still a buzz around Berlin property. Though far later than expected, the first government officials have at last arrived from Bonn. This summer the Bundestag is

due to follow them, moving into the old Reichstag, the restoration of which by Sir Norman Foster (now in progress) includes a new glass dome capping the building.

Close to the Brandenburg Gate, where a red line painted on the street traces the route of the Wall, the Reichstag is the strongest symbol of new meaning post-Communist and post-Nazi Berlin.

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PROPERTY



Docklands of the future: a computer-generated impression of how the area will look after developments at Canary Riverside and Canary Wharf are complete

On the Move

Hint of eastern promise

Hong Kong buyers are looking at London again, finds Anne Spackman

After more than a year's absence, Hong Kong-based investors are once again dipping into the central London property market. Two new developments, both on the south bank of the Thames, have each sold about 20 flats at exhibitions in Hong Kong this year.

The figures are nothing like as high as those achieved before south-east Asian stock markets fell in autumn 1997. But they are far better than the ones and twos which have been sold since.

The two schemes marketed in Hong Kong were Butler's and Colonial Wharf, a development by Nicholson Estates at Butler's Wharf, and St George Wharf, a scheme by St George near Vauxhall Bridge. Both schemes are also selling well in the UK to domestic first-time buyers.

Agents believe the key to their success at home and abroad is price; both developers have been selling small, relatively cheap flats. Agents report that there is still no interest in Hong Kong in medium to high priced property.

The success of these ventures has encouraged Berkeley Homes to market three London developments in Hong Kong. Hamptons will be offering flats on King's Road in Chelsea, in Vincent Square, Westminster, and at Prescott Street in the City in a fortnight.

Robin Peterson says they have been persuaded to test the market by the good response to adverts in Hong Kong, mainly from expatriates.

Agents are not yet willing to tell us exactly what the buying public wants.

Canary Riverside is a dense series of fairly high-rise buildings centred around a Four Seasons hotel on a prime riverside site looking west towards the City. The 322 flats on offer are almost double the average new-build

size, but the prices are correspondingly high. One-bedroom flats cost about £300,000 and two-bedrooms about £410,000.

The scheme could not have had a worse beginning, arriving for its marketing launch in Asia just as the stock market began to plunge in 1997. Since then it has been beset by behind-the-scenes problems involving its joint venture partners. Not surprisingly, sales so far have been very slow.

With two show flats and a marketing suite now in place, the selling agent, FPD Savills, can finally see whether the concept itself is what the buying public wants.

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size, but the prices are correspondingly high. One-bedroom flats cost about £300,000 and two-bedrooms about £410,000.

The space is impressive and there are big views – but they are principally of Rotherhithe and there is little outside space from which to enjoy them. The finish is hotel-smart rather than spectacular.

The development team hopes buyers and tenants will come from the impressive list of employees now based five minutes away at Canary Wharf. So far, the trendier among them have been persuaded to buy warehouses in schemes such as the neighbouring West India Quay. It remains to be seen whether the slightly older corporate customers can be wooed away from London into the many large flats in Canary Riverside.

Another winter came and went, leaving us stuck fast in Clapham North. But our lives had changed. We were self-employed and increasingly tired.

Our dream home – and within budget

Walter Ellis worked hard to find his French hideaway

It was a weekend trip to Normandy that persuaded us that we needed an elegant town house in Dieppe to give our crowded lives room to breathe. We would sand across the Channel by car ferry on a Friday evening, arriving in time to raise a glass or two to Oscar Wilde in the Café des Tribunaux.

On Saturday, we would shop at the market walk along the cliffs of the Côte d'Albâtre. Lunch on Sunday would be oysters and mussels at a little place next to the harbour. When we arrived back in London on Monday morning, we would be refreshed and ready for anything.

Or not. As a keen twenty-something estate agent showed round, Dieppe took on a sepulchral aspect. Our first potential purchase was approached through some hard stares from the locals. The house, though in urgent need of renovation, just passed muster, but the garden, billed as a key feature, did not.

A "luxury" apartment in the centre of town turned out to be on the fourth floor; the staircase was dark and narrow and the kitchen was more compact than reality. Selection number three was squeezed in above a corner bar. Pigeon droppings were ankle-deep on the balcony, which gave directly on to the town centre car park. Number four resembled a turn-of-the-century tenement. We did not venture inside.

No matter, we headed for the countryside and, in particular, the Bray Valley. Here, surely, we would find the bijou residence of our dreams.

There is little point in detailing our subsequent distress; suffice it to say that we did not want a dilapidated bungalow in the middle of a zone *industrielle*, a concrete bunker in a village peopled by what seemed to be one very large family, or an over-priced two-up, two-down by a petrol station.

Another winter came and went, leaving us stuck fast in Clapham North. But our lives had changed. We were self-employed and increasingly tired.

of big city living. What we wanted was a place we could go to for a week or 10 days at a time; somewhere we could work but which would let us, at least, believe we had left the rat race.

I don't know what it was that made us think of Brittany. Even at the level of anecdote, it remained virgin territory. Not was our first day especially promising. We met a French sales representative in the central town of Josselin but she appeared to have only the vaguest notion of what we were looking for. Everything was unsuitable – either breaking our £40,000 budget or our stipulation that we were not interested in renovation projects.

The first house we saw, in Jos-

elin itself (a delightful town

with a fairytale castle), was right on the main street, slate grey inside and out and colder than a witch's promise. Property two was vast and brimful of potential – if we could have afforded the £45,000 asking price and the additional £25,000 needed to bring it up to scratch.

Third was a "home" in the "Village of the Damned". No one seemed to live there. The house had a splendid walled garden but "needs work" was a sad understatement. Like many former English projects in France, it had founder, for lack of cash, interest or marital harmony.

The next was fine except it was right next to a cowshed on a working farm. House number five was an upmarket gite, with just a strip of garden, that cost a good £10,000 more than our upper limit.

On the Monday morning, we drove for two hours to the market town of Callac and a render-

ed wall.

And all for less than £30,000, including commission, lawyer's fees and taxes. We were within budget and had not had to skimp on quality to get there.

Our advice to those hoping to realise their dream of a French retreat? Do not be downhearted and do not give up even when you know you are beaten. And bear the following in mind:

□ Make sure your agent knows what you want and, just as important, what you do not want;

□ Understand what you are getting yourself into and what French law requires of you;

□ Work out how often you can get there and what it will cost. An unused house is a sad thing and a waste of money;

□ Do not regard your property as an investment. While you may reasonably expect to rent it out in the summer months, it is highly unlikely to soar in value.

French rural property is not like that and exchange rates can go down as well as up.

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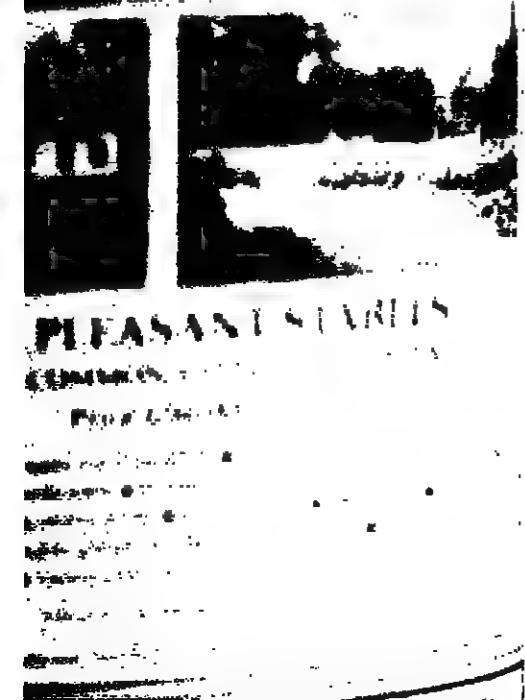
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MALLORCA

COUNTRY PROPERTY



With two key weekends ahead, do not be tempted to shirk pruning on the grounds that everything is growing well, says Robin Lane Fox

This winter many of the roses against walls and buildings have yet to lose their leaves. My flowering pear trees still have last season's leaves while this year's flower-buds are well formed for an early show. At the same time, new growth is starting to break on anything in a sheltered place. If you looked at some of my honeysuckles, you would assume it was late March.

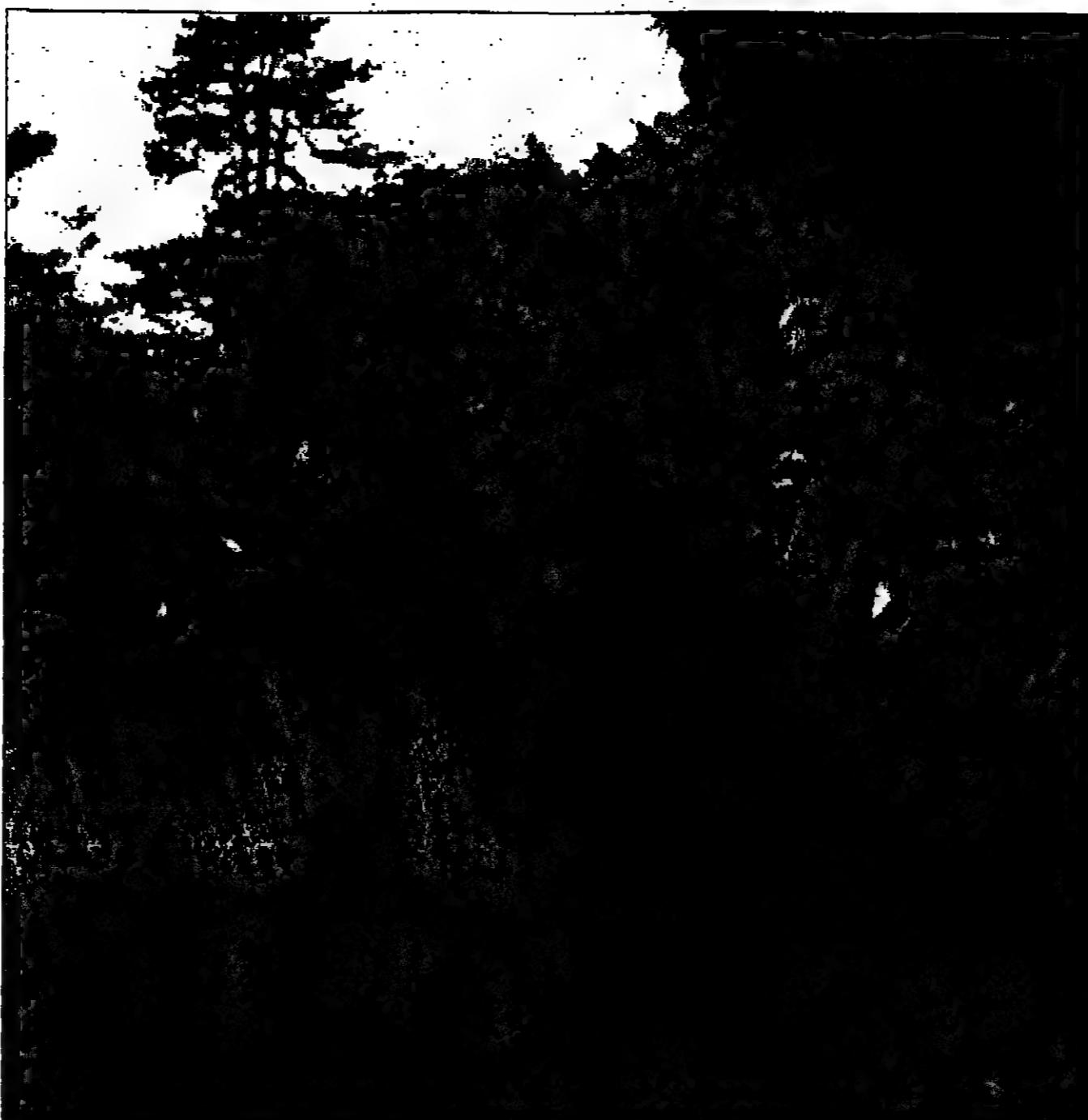
How do we handle this inconclusive growth? The next two weekends are key moments in the pruning season, even in our new warm brand of English winter. You may have hated the job in the days when the wind tried to freeze off those of your fingers which the roses had not already stabbed. On a mild February weekend it is a much more pleasant affair. Do not be tempted to shirk it on the grounds that everything is growing well enough already.

Your clematis are urgent candidates for review. There are fine points to pruning some of them, but the first question to ask yourself is whether the variety before you flowers after mid-summer, towards the end of June. If it does, it needs a hard cut back so that the previous year's growth comes down to a final pair of buds at its base.

Usually, you will find them within a foot or two of the ground. Leave them as the new starting point and simply cut off everything above, as if it was a weed. Pull it off the wall or supporting shrub and cart it away. Later-flowering clematis are treated almost like a herbaceous plant. The classic examples are the violet-purple Jackmanii, one of the most popular of all in this country. My special favourite, the sky-blue Perle d'Azur, also needs a cut to the base. So do other good friends among the species clematis, especially the yellow-flowered varieties whose thick top growth is now miserably brown and whose fluffy seed heads have lost their early silkiness.

The small-flowered Clematis flammula is also ripe for treatment, something which keeps this usefully drought-tolerant plant from going totally bare at the base.

You might be tempted to transfer the same treatment to your honeysuckles. The temptation should be resisted. The evergreen forms, especially Lonicera Japonica Halliana, can be cut very hard if a former owner has left them to grow into chaos. However, varieties of the native woodbine should be left alone, although they are shooting in a green and pleasant way which might invite your secateurs in. The popular recent variety called Graham Thomas is also one of this group.



Buddleia Lochninch: for a show like this, prune it pretty hard now

Garden Picture Library

Gardening

The kindest cuts should be made now

Leave these alone now and only prune them in early summer when the flowers have dropped. This year's flowers will form on the short side-shoots which develop from a stronger stem, made in the previous year.

Buddleias are another big temptation. They may have flowered as well last autumn that you have not yet dead-headed them and young shoots may just be beginning on the likes of the lovely pale lavender Lochninch variety. In fact, you can prune them pretty hard now, taking them down near to the base as if they were a late-flowering clematis.

Every year, we cut back a very old specimen to a thick trunk about 3ft from the ground. It seems to thrive and may well have lived longer for this drastic treatment. Buddleias look miser-

able in winter and it is good to be able to decapitate them before the mid-April starting point which older gardeners used to recommend.

The most important candidates of all are the roses. I have always been a February pruner and this year it will coincide with no and of young growth already bursting into leaf. Some of my oldest bushes are the reliable Hybrid Musk varieties. The likes of Felicia and Buff Beauty can be shortened now by cutting at least a third off the main shoots and taking out any thin growth and anything that is brown and dead.

The harder you prune them, the later they will flower, but the operation stops them from becoming too bare at the base and too cluttered in the centre of the bush to receive much light and make good progress. The

one-third rule is a minimum that applies to all the old-fashioned varieties. If you want to economise on effort, the big Rugosa roses, such as the lovely Blanc Double de Courteau can be left alone altogether.

So far, for reluctant gardeners, there is some good news. All these clematis, honeysuckle and rose varieties could be left alone for another year without actually ruining them. The results will be increasingly tidy, best seen in those familiar specimens of purple Jackmanii clematis in so many British gardens which flower in one terrible tang at their top.

However, there is one particular candidate which should never be overlooked. Many of you will be planting new roses in the next few weeks and unless they are very short-stemmed indeed, you

should certainly prune the plants you receive.

No task is harder for impatient gardeners who measure the future by the length of what they buy. However, it is an essential first step to far better performance in future. It is the treatment which stops that endemic English complaint, bare-legged rose bushes and climbing roses.

They can never be easily thinned at the base in later years. They exist because their owners were too timid in some past February or March. Most of the roses which you buy will be better for further shortening down to a bud which is close to the ground.

Picture the growth that will then burst at that height and do not feel too charitable to anything you buy with longer twigs. The best sort of start-up is extremely savage.

Honey, you shrunk the shrubs

Roy Barnes found his winter garden plans almost ruined by a nasty fungus

What had once been an evergreen shrub 50 years ago had turned itself into an impenetrable jungle. It was an area ripe for rehabilitation and conversion to a winter garden of colour and scent.

It was also my baptism of fire into the art of gardening, an experience on which I cut and broke my teeth, but which taught me a great deal.

Despite the neglect, the original background of laurels was still there, towering 30ft tall trees with brambles climbing to the tops. Here and there a few other things peeped through the undergrowth, a half-dead Judas tree, a Viburnum tinus, growing as sturdily as the elders that were trying to smother it.

Some slender stems of Dianthus barbatus, the Alexandrian laurel, beloved of flower-arrangers, stood as if on guard around an ivy-covered, tomb-like object, which turned out to be the superstructure of an Edwardian sewage disposal unit. One could now see why subsequent owners had left the place alone.

Our organic gardening principles denied us the use of herbicides, so site clearance was a muscle-aching process. We dug out the head-high beds of nettle and dock and almost ruined the hired rotavator by running it into the concealed stump of an old sycamore that someone had left after felling the tree years before. This stump would give us.

The soil proved to be solid, deeply alkaline clay, but we managed to turn it, ploughing in smaller weeds - green manure, we thought.

Time to send for Ken, dendrologist, landscaper and amateur scientist, man of few words and much knowledge. "You shouldn't have rotavated it," he told us. We had apparently spread cuttings of ground elder all over the site, and you need only a piece the size of a fingernail to start a colony.

Worse than that, in the roots of the rotting sycamore he found the dreaded bootlaces, which later he confirmed was the deadliest of all the honey funguses, armillaria mellea.

This would have been the ideal time to throw in the towel, but we pressed on. Because of the honey fungus abandoned were

plans for the lovely pink-tinted white flowers of Prunus subhirtella pendula. Autumnalis to brighten our darkness from December to February. For the Acer palmatum Sempervirens to herald spring with its dark pink flowers.

So what can you do in such desperate circumstances?

First, you double-dig the whole site and import two tons of grit and sharp sand, then you cover the whole area with strong hor-

culture mesh to keep the weeds down. You can mulch with ground-up bark to make it look nice, but be careful.

We used the bark of an ash which had not quite been killed by honey fungus - tantamount to spreading thousands of ash cuttings over the area. The following spring we had an ash grove of 3in saplings.

Shrubs that have survived include the small tree, Clerodendron trichotomum, whose sweet-scented white October flowers are followed by bright blue and pink fruits in the winter; a winter-flowering honeysuckle, Lonicera purpurea, a spreading tall shrub, not a climber, which has soft-smelling pale cream flowers throughout the whole winter; Arbutus unedo, the evergreen Killarney strawberry tree, which



bears its flowers and fruits together in late autumn; Mahonia japonica with arching racemes of pale yellow flowers all winter, its cousin Mahonia media Winter Sun, with long-lasting lemon-yellow flowers and deeply pinnate pinkish leaves; Fatsia japonica, an exotic-looking evergreen, displaying six spikes of cream-coloured umbels in early winter and huge deep green five-lobed fig-like leaves all year.

Sarcococca hookeriana digyna includes out sweet scents from tiny flowers all winter. The variegated leaves of Euonymus fortunei Emerald 'n' Gold and Elaeagnus pungens Maculata shine out like beacons. Fuchsia magellanica, Ross rugosa, Rhamnus alaternus are all hugely flourishing and Hebe salicifolia seems to have developed a symbiotic relationship with armillaria mellea.

The Chinese witch hazel, Hamamelis mollis, turned very sad and now tumbled survives happily in a tub of ericaceous soil, but the old laurels are gradually dying.

At floor level, Epimediums send up racemes of white, red, pink or purple flowers in early spring; the winter heather, Erica carnea, starts flowering in late January and goes on and on for three months and is spreading fast. Gaps are filled by low-growing perennials and autumn and spring-flowering bulbs: Liriope muscari, Erythronium tuolumnense, Helleborus atrorubens, Berberis, Cyclamen neapolitanum, all of which seem to enjoy being where they are.

Motoring

Our affair with on-off roaders is on

A sceptical Stuart Marshall samples the latest sports utility offerings

The American way of life has made significant incursions into Britain for a good 40 years at least. Young people in the UK, and plenty of adults old enough to know better, are junk food addicts and seem to live in baseball caps, jeans and trainers. Teenagers in Washington, Tyne and Wear, are dressed much the same as those in Washington DC.

Cars could be next, although in a way the trend has been in the opposite direction over recent years. Detroit long ago killed off its behemoths. Today's American cars are as European in size and style that a Chrysler Neon could as easily be a Ford Mondeo or Vauxhall Vectra. A Cadillac Seville would sit alongside a Mercedes S600 or BMW 550 in the senior management car park without seeming outlandish.

But to talk of American cars and mean only sedans (saloons) and station wagons (estate cars) is misleading. For several years their share of annual US car sales has shrunk as that of pick-up trucks and 4x4 sports utilities has risen. When I was in Seattle late last year, it seemed that pick-ups and four-by-fours actually outnumbered ordinary passenger cars.



More suitable for couples than families: Honda's HR-V is a four-wheel driven joy machine for the young and trendy

the fascia and instruments you could believe you were in the latest Mercedes S-class saloon.

A steeper slant to the windscreens than most on/off roaders have, and an unexpected resilient ride, add to the illusion. The high build of the M-class lets you look over hedge-tops, not into hedge-bottoms. But handling is far from ponderous and a compact turning circle makes this big vehicle easy to park.

The M-class is permanently in four-wheel-drive and a low range of gears for serious off-roading is engaged at the touch of a button. It is massively roomy for five people and the loadspace is big enough for two sets of golf clubs and power trolleys. When off-roading, the same electronic systems that aid on-road handling and cornering stability suffice

wheelspin. The independent suspension smooths its path over rough terrain better than conventional beam axles.

At present, the only power train is a 2.3-litre, 215 horsepower petrol V6 and five-speed automatic transmission. There is a muted bellow from the V6 when accelerating hard - 0-62mph (100kmh) takes only 9.5 seconds - but it is quiet when motorway cruising. The official average consumption is 21.7 mpg (13/100km).

A 4.3-litre V8 engine will be introduced this spring and, later, a "common rail" turbo-diesel is promised. The interior is utilitarian rather than super-luxurious but at £21,780 a basic M220 looks cheap compared with the Range Rover (from £40,995).

At the other end of the size-

and-price scale is Honda's new HR-V, which has four-wheel drive that cuts in automatically only when needed - as it might be on a frosty morning or when driving across a damp meadow.

Honda describes it as a joy machine and does not pretend it will ever be used for "wide-blue-yonder" off-roading. Young people with reasonable salaries, no children to feed, clothe and educate and a liking for surfing by day (in the sea, not on the net) and clubbing by night are the buyers Honda has in its sights.

The HR-V might best be described as a two-door version of the Honda CR-V estate and its most obvious rivals are the now elderly short-wheelbase Toyota RAV4 and the Suzuki Jimny, though the Jimny has high and low-range gears and is at

home in Land Rover territory.

On road - there was no opportunity to drive it on unmetalled surfaces at the launch in Spain last week - the HR-V feels like a hot hatchback with the sting removed.

The 1.6-litre, 105-horsepower engine is quite strong enough and is of Honda's traditional silkiness.

The standard 5-speed gearbox is, too, but even better suited to the HR-V's role is an optional extra CVT (continuously variable transmission). This combines the relaxation and driving ease of a conventional automatic while giving similar fuel economy (about 33mpg or 8.5/100km) to a manual gearbox.

The HR-V will carry four people but is better at transporting couples than families - they should go for the longer, 5-door

estate has pick-up truck underpinnings and high/low ranges of gears which make it a most capable off-roader. On road, in rear-wheel drive, the 2.5-litre turbo-diesel I tried was surprisingly civilised. I have found radio listening more difficult on motorways in wide-tired executive saloons. For driving on really rough ground, a pull on a second gear lever engages front-wheel drive.

As the engine has been around for some years it has indirect injection. It cannot match the economy of the latest direct injection engines and, even more so, those with very high pressure, electronically controlled "common rail" injection. Even so, sympathetic drivers should see up to 28mpg (10/100km) providing they do not go too quickly on motorways.

The Challenger is lower in the sports utility pecking order than, say, a Land Rover Discovery or Mitsubishi Shogun but so is its price. At £20,885 it compares closely with a Jeep Cherokee 2.5TD Sport or Vauxhall Frontier 2.2 TD. High-mileage owners will not approve of the 4,500-mile servicing intervals, a consequence of the engine being rather long in the tooth.

SPORT



Full recognition at last: even though Matt Dawson, above left, has 18 England caps, today is the first time he has been chosen as the No 1 scrum-half

David Rogers/PA

Rugby

England expects and Dawson stands ready to deliver

Huw Richards sees justice done in the battle to fill the scrum-half slot against Scotland today

Selecting international teams in any sport is arbitrary and occasionally cruel. The number of places is limited, winning the sole aim and fairness not a consideration. So there is particular pleasure amid the cold realpolitik when justice is seen to be done, and a long battle for recognition is rewarded.

Few events are more popular than a long-serving, long-suffering stalwart finally cracking the international magic circle. Hence the genuine delight of English fans, not to mention many journalists, when centre Damian Hopley finally won a cap during the 1988 World Cup after distinguished service on the replacement bench.

The selection of Matt Dawson at scrum-half for England against Scotland in today's European Five Nations clash at Murrayfield satisfies the same sense of justice. This might seem odd - at 26, Dawson is far from the veteran class, has played the majority of England's games in the last year and with 18 caps, plus three appearances for the British Lions, is no international novice.

Yet it is the first time for three years that he has been recognised as England's No 1 scrum-half. While announcing a team sticking as closely as possible to the side that beat world champions South Africa 13-7 in December, England coach Clive Woodward acknowledged one significant shift in thinking: "It is the first time I have chosen Matt Dawson over Kyran Bracken when they have both been fit and available."

Jonny Wilkinson's introduction at centre follows Phil de Glanville's injury while right winger David Rees is now the established first choice when fit. To welcome Dawson's elevation is not to celebrate Bracken's disappointment. He has been playing superbly for his club Saracens and is unlucky that England, so often wanting in the half-back



Saracens' Kyran Bracken, right, looks down after superb performances for his club side

positions, can choose from two scrum-halves of unquestioned international quality. Woodward had said the competition stimulates both to excel, and Dawson agrees: "I know that with Kyran there I can take nothing for granted and that I have to play well to keep my place."

There is no doubt that Dawson deserves his shot. He may be short on the intangibles of star quality - something Bracken, who once appeared in Cosmopolitan wearing only a loin-cloth and an uneasy smile, has professed - but over the past couple of years he has proved himself one of the most durable and effective players in British rugby.

Luck has played its part. He was fortunate, when only fourth in the England pecking order in 1997, that the British Lions coach was Ian McGeechan who, as his club coach at Northampton, was

well aware of his qualities. If first-choice scrum-half Robert Howley had not been ruled out of the test series on the 1997 Lions tour of South Africa, or Bracken been less injury-prone over the past four years, Dawson would have enjoyed fewer international opportunities.

But he has taken his chances with aplomb. It was in any case selectorial madness that he dropped as low as fourth after doing little wrong in his early international appearances.

Dawson is a big-match player. Colin Deans, the former Scotland captain who assists McGeechan as coach at Northampton, says: "He occasionally disappoints at club level, where he sometimes tries to take too much on himself, but hardly ever at international level." And he thrives on southern hemisphere opposition.

The waking thoughts of South

African rugby players and coaches almost certainly focus more on New Zealand than any other opponent. But if any player is likely to figure in Springbok nightmares, it is Dawson.

Most observers downgraded the 1997 Lions from "unfancied" to "written off" when Howley was injured. Dawson, happily, was more confident: "Rob Howley, Austin Healey and myself were all confident we could play scrum-half well in the tests."

He more than justified his self-confidence, striking the perfect blow in the first test with an audacious dummy and dash to score. And he beat the Springboks, previously unbeaten in 18 matches, again last December. Only an occasional goal-kicker, he coolly converted two penalty kicks late in the second half to secure England's 13-3 victory.

In between came England's

summer 1998 tour of Australia, New Zealand and South Africa - an insanely demanding itinerary even for a full-strength squad, undertaken minus almost an entire first-choice team. Dawson went as captain: "The tour should never have gone and they had no chance with so many inexperienced players. It could have been very bad for him, but he did very well," says Deans.

Dawson played brilliantly at scrum-half - scoring in both tests and straight up the middle," says a woman rugby league fan in the Super League's new cinema advert. Outspan takes the less direct approach, with its promise to "bowl the maidens over" during the World Cup, a pun so original it must have taken the company's ad agency at least a week to think it up.

Clearly, both rugby league and cricket - two sports struggling to catch the public's eye in an increasingly football-obsessed world - believe they can woo women viewers and spectators by appealing to their baser instincts.

Accompanying these subtle images is some equally subtle word play. "I like it hard and fast and straight up the middle," says a woman rugby league fan in the Super League's new cinema advert. Outspan takes the less direct approach, with its promise to "bowl the maidens over" during the World Cup, a pun so original it must have taken the company's ad agency at least a week to think it up.

Deans describes him as the sort of player you hate playing against. He never gives you a moment's peace and you never know what he is going to do.

He is a constant threat, and if you allow him an inch he will take yards. He is an all-round player of quality who does a bit of everything.

Whom you choose, Deans acknowledges, is a matter of what type of game you intend to play. Bracken's greater pace makes him a serious attacking threat, although Dawson is probably the more elusive runner. Bracken possibly also has the edge as a tactical kicker.

But even more than footballing skills which once interested Chelsea, Dawson's great asset is coolness of nerve. A crucial goal-kick can frazzle the nerves of the toughest and most talented.

South Africa's Percy Montgomery, one of the most prolific kickers in the world, made a horrible hash of a simple penalty in the final stages of their defeat by England. Dawson landed two much tougher kicks. He says: "I enjoy kicking. You are on a knife-edge. You might be a fall guy or a hero."

He believes he can look forward to an exciting year. "We have a team which is certainly capable of winning the World Cup." If England expects, this man will certainly do his duty.

Golf / Derek Lawrenson

Is Nick still a match for Tiger?

because the game has been crying out for just such an event for 40 years.

It was in 1958 that the Professional Golfers' Association of America took the momentous decision to convert the USPGA Championship from matchplay to stroke play. Almost instantly it was a decision decried by traditionalists, who were content that one of the four majors was played in a different format from the rest.

There was also the fact that the PGA took the decision for completely the wrong reason: to please television. The broadcasters had become increasingly frustrated by matches that did not finish at precisely the moment they had planned in their schedules, and so demanded that the

only Jumbo Ozaki has passed up the invitation, which no doubt pleased the sponsors because it has let in Faldo.

The championship will take place over five days with each match decided over 18 holes, apart from the 36-hole final. The draw will see the world's No 1 play the lowest-ranked entry and so on, which is why Woods will play Faldo in the first round, barring last-minute withdrawals.

On the face of it, Faldo has an unenviable task but the joy of matchplay is its sheer unpredictability. Colin Montgomerie compares this format to deciding a tennis match over one set but that is an exaggeration; perhaps three sets instead of five is a better analogy. Whatever the comparison, Faldo has been

presented with a wonderful opportunity to get his career back on track.

The players who compete on the United States Tour will begin with a decided advantage. La Costa was, until this year, the perennial home of the season-opening Tournament of Champions event, and so its subtleties will be known to the players who have qualified in the past for that event.

Woods is a former winner, as is Mark O'Meara, while Steve Elkington and Phil Mickelson have both won it on a couple of occasions.

But will he feel at home at matchplay, where a card and pencil become irrelevant and the requirement is simply to outwit the opponent standing opposite?

Patrick Harverson

TV sets out to turn on the women

At anyone involved in sport where they think future growth in audiences will come from, and the answer invariably will be women.

Given the exhaustive coverage

and absurd promotional hype

that accompanies even the most

insignificant of events these days

(tonight, exclusive on Sky

Sparks 3, the Big One, the

World Naked Canoeing -

Championships, live from

New York), there cannot be a

single adult male interested in

team games let anywhere on the planet who is not already hooked

on the wonderful, wide world of

professional sport.

Among the other 50 per cent of the population, however, there is ample room for improvement. In America, for example, in recent years television coverage of the Olympics has been built around the premise that if the programmes focus primarily on the "human" side of the competitions ("Spunky Young Gymnast Wants to Win Gold for Cancer-Stricken Mom"), female viewers will watch in their millions.

American TV executives believe that during the Winter Olympics women will be glued to the tube if they know all about the lives and loves of lugers. And they have been proved right - TV ratings for the Lillehammer games in 1994, when the techniques was first tried, were strong boosted by an unusually high number of women viewers.

In Britain, however, they do things differently. When sport wants to attract women, they turn to sex, not soap.

This week, the Super League

launched a new advertising campaign featuring pictures of the damp, naked bodies of rugby league's hunkiest stars, while next week Outspan, the orange group, is launching its sponsorship of the Cricket World Cup with pictures of a shirtless cricketer in a state of what appears to be some excitement, judging by the bulge in his neatly pressed flannels.

Accompanying these subtle images is some equally subtle word play. "I like it hard and fast and straight up the middle," says a woman rugby league fan in the Super League's new cinema advert. Outspan takes the less direct approach, with its promise to "bowl the maidens over" during the World Cup, a pun so original it must have taken the company's ad agency at least a week to think it up.

Superficially, the cars driven on the US Indy and CART championship circuits might look much like F1 machines (almost all the cars are designed and built in England), but the cultures of American and the

racers are not necessarily going to be turned off (there I go again) by the suggestion they may simply enjoy sport for sport's sake.

□ □ □

Jackie Stewart, one of motor racing's greatest champions, went to Indianapolis this week to spread the Formula One gospel in a country where motor sport fans are an entirely different kind of god. (The Scot was there to promote next year's US Grand Prix - the first since 1981 - which will be held at the famous circuit.)

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In deciding to slum it at Indianapolis, F1 is bowing to economic realities

European-dominated Grand Prix racing could not be farther apart.

Although the Indianapolis Speedway is in the midwest, the heartland of American motor racing is the south where the sport, and particularly the hugely popular stock car racing, is very much a blue-collar pursuit.

The Daytona 500 in Florida typifies American motor sport - largely southern drivers working for southern teams, racing in front of a raucous southern crowd - and last weekend the country's biggest event drew 165,000 fans to the circuit and a huge TV audience.

In Formula One, the only blue collars to be seen are on the hand-made silk shirts of the Italian aristocrats who follow the Ferrari team. Long dominated by the moneyed upper classes of Europe, the Grand Prix circuit is the poshest show in motor town.

However, in deciding to slum it at Indianapolis next year, F1 is bowing to economic realities. For sponsors and broadcasters, the US is where the really big money is - this year's Daytona 500 winner took home a prize of \$2.1m - and Formula One is desperate to get its hands on some of those dollars.

Stewart said he was impressed by the plans for next year's Grand Prix at the Speedway, and so he should be, because it is a magnificent sporting arena.

Whether the local fans, used to the cold beer and burgers of American motor racing, will be as impressed by the champagne and caviar of F1, is another matter.

Erie Els is the player who has looked most at home in matchplay tournaments in recent years.

In five appearances in the World Matchplay held at Wentworth near London each autumn, he has won three times and lost once in the final.

But the field there is limited to 12 golfers and each match is over the more classic distance of 36 holes. Sadly, 64 players and the modern pace of play make this impossible at La Costa.

It will still be an intriguing occasion, the most exciting introduction to the golf calendar for several decades. It will also complete the rehabilitation of matchplay golf, the enduring virtues of which have now survived every whim and fancy, even the ultimate behemoth: the television scheduler.

Chess No 127: 1 Rdh? Kd7 Rch7 or dxd2 Rg7+, and 3 Rdh mate. 2 Rdh+ Kd7 g6+ 4 Rdh mate. 5 Rg6 b6+ 6 Rg7 Rdh7 7 Rg8 mate.

sport, rather like the one in place in tennis. It is not stretching the imagination to conceive of more of these events being introduced in the new millennium. This year two will take place in America and one in Europe but perhaps in five years there will be one every season in Australia, South Africa, and Japan as well.

A broader World Tour than that, however, seems unlikely. The European Tour and the United States Tour are both thriving and are the driving forces behind these world events; they are hardly likely to advocate revolution when it comes to the rest.

My confident prediction is that the three tournaments this year under the auspices of the World Golf Championships. These events have been introduced to satisfy the players' demands to meet more often than during the four major championships (US and British Opens, USPGA and US Masters) and the Players' Championship in Florida each March.

Perhaps inevitably it has led some to wonder whether this is the start of a World Tour for the

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What's on
round the
INTERDAN

KLUN

KESSEL

SCAGO

VELAND

LOGNE

HENNGEN

EDINBURGH

WEST NORTH

What's on around the world

AMSTERDAM

EXHIBITIONS

Rijksmuseum

Tel: 31-20-673 2121

- Adriaen de Vries (1566-1626): Imperial Sculptor. Major celebration of the Dutch sculptor. The 40 bronzes on display include public and private loans; to Mar 14
- Asser: Pioneer of Dutch photography. Nearly 200 photographs, including portraits and still lifes, made by Edward Isaac Asser (1809-1894); to Mar 14

OPERA

Netherlands Opera, Het Muziektheater

Tel: 31-20-551 8911

Carmen: by Bizet. New staging by Andreas Homoki; conducted by Edo de Waart. The designs are by Wolfgang Gussmann and Gabriele Janecke, and the cast includes Carmen Oprișanu and Martin Thompson; Feb 21, 24

BERLIN

OPERA

Deutsche Oper

Tel: 49-30-34384-01

Rise and Fall of the City of Mahagonny: by Kurt Weill, libretto by Brecht. New staging by Günter Krämer; conducted by Lawrence Foster, with designs by Gottfried Piltz and Isabel Ines Glathner; Feb 20, 24

BOLOGNA

OPERA

Teatro Comunale

Tel: 39-51-528 999

www.netuno.it/bollettacommunale

La Bohème: by Puccini. Conducted by Daniele Gatti; Paolo Amivarien in a staging by Lorenzo Marian; with designs by Willy Orlandi; Feb 20, 21, 23, 24, 25

BRUSSELS

OPERA

La Monnaie

Tel: 32-2-229 1211

Lady Macbeth of Mtsensk: conducted by Antonio Pappano in a new staging by Stein Winge, with sets by Benoît Dugardyn and costumes by Jorge Jans; Feb 21

CARDIFF

OPERA

Welsh National Opera

Tel: 44-1222-466 666

- Hansel and Gretel: by Humperdinck. Conducted by Wladek Jurkowski in a staging by Richard Jones, premiered in December. Cast includes Imreha, Drumm, Linda Kittoe and Nigel Robson; Feb 26
- Peter Grimes: by Benjamin Britten. Carlo Rizzi conducts a new staging by Peter Stein. With sets by Stefan Meyer and costumes by Moltke Bickel. Cast includes John Daseck and Janice Watson; Feb 20, 24

CHICAGO

EXHIBITION

Chicago Cultural Center

Tel: 1-312-744 6630

The Landmarks of New York and Chicago; display of 150 photographs, celebrating some of the most important buildings in both cities; to May 30

CLEVELAND

EXHIBITION

Cleveland Museum of Art

Tel: 1-216-421 7340

www.cleveland.org

Diego Rivera: Art and Revolution. Major retrospective of the Latin American painter and folk hero. Rivera was a pioneer of the muralist movement, and his work is unique in 20th century art. This show features 125 works and includes public and private loans from Europe, Japan and Mexico; to May 2

COLOGNE

EXHIBITION

Wallraf-Richartz Museum

Tel: 49-221-223 02

www.museenkoln.de

Arendt de Gelder (1645-1727): first monographic exhibition devoted to Arendt de Gelder, one of Rembrandt's most prominent pupils. The show includes 58 paintings and 13 drawings, as well as 25 graphic works by Rembrandt; from Feb 20 to May 9

COPENHAGEN

EXHIBITION

Louise Museum of Modern Art, Humlebaek

Tel: 45-4979 0719

www.louismuseum.dk

Henri Cartier-Bresson: Europeans. Previously seen in Paris and London, this show brings together 185 works ranging across the photographer's career from the 1930s to the present; from Feb 20 to Jun 6

EDINBURGH

OPERA

Edinburgh Festival Theatre

Tel: 44-131-525 6000

- Scottish Opera: Der Rosenkavalier, by R. Strauss. New staging by David McVicar, conducted by Richard Armstrong. The cast includes Joanne Rodgers; Feb 24
- Scottish Opera: The Magic Fountain, by Delius. Conducted by Richard Armstrong in a new staging by Aidan Lang, with designs by Ashley Martin-Davis; Feb 28

FORT WORTH

EXHIBITIONS

Kimball Art Museum

Tel: 1-817-3328457

www.kimballart.org

Barbican Art Gallery

Tel: 44-771-538 8891

- Africa by Africa: A Photographic...



'Portrait of Adolfo Best Maugard', 1918, by Diego Rivera, at the Cleveland Museum of Art.

- Gifts of the Nile: Ancient Egyptian Falence. Display of ceramics, known as falence, a mixture worked by the Egyptians and regarded by them as magical. The 200 works on display include loans from public and private collections in the US and Europe; to Mar 28
- Picasso and Picasso: A Gentle Rivalry. More than 100 paintings, sculptures and drawings on loan from collections around the world make up this first-ever exhibition devoted to the relationship between the two great modernists; to May 2

GLASGOW

OPERA

Scottish Opera, Theatre Royal

Tel: 44-141-332 9000

The Magic Fountain: by Delius. Conducted by Richard Armstrong in a new staging by Aidan Lang, with designs by Ashley Martin-Davis; Feb 20

HOUSTON

EXHIBITION

Museum of Fine Arts, Houston

Tel: 44-171-300 8000

Brassai: The Eye of Paris. Retrospective of the photographer's work that coincides with the 100th anniversary of his birth. Dubbed 'the eye of Paris' by Henry Miller, Brassai celebrated the city in photographic series. This show includes the widely-acclaimed 'Paris at Night' series; photographs taken during nocturnal wanderings with the flâneur and poet Léon Paul Fargue; to Feb 28

LAUSANNE

EXHIBITION

Musée Cantonal des Beaux-Arts

Tel: 41-21-312 8332

Courbet - artist and promoter: more than 70 paintings by Gustave Courbet (1819-77), including landscapes, portraits and nudes; to Feb 21

LONDON

CONCERTS

Barbican Hall

Tel: 44-171-538 8891

- London Symphony Orchestra: conducted by Lorin Maazel in the UK premiere of his Music for Violin and Orchestra, and in Bartók's First Portrait; and by Wolfgang Gleron in Tchaikovsky's Symphony No. 6; Feb 24, 25
- London Symphony Orchestra and Chorus: conducted by Myung-Whun Chung in Mahler's Symphony No. 2, with soprano Andrea Dankova and alto Sara Mingardo; Feb 21
- Philharmonia Orchestra: conducted by Leonard Slatkin in works by Karol Husa, Tchaikovsky and Dvorák, with violin soloist Cho-Liang Lin; Feb 20

PARIS

EXHIBITIONS

Palais Royal

Tel: 33-02-8891 5738

- The Merchant of Venice by Shakespeare. Royal Shakespeare Company production directed by Gregory Doran with designs by Robert Jones. The cast stars Philip Voss; in repertory to Mar 9
- Measure for Measure: by Shakespeare. Michael Boyd directs a Royal Shakespeare Company production with a cast including Clare Holman; in repertory to Mar 21
- Mikhail Petrenko recites the pianist of works by Bach, Mendelssohn, Grieg and Schumann; Feb 21

Comedy Theatre

Tel: 44-771-369 1731

- Little Malcolm and his Struggle Against the Eunuchs: by David Harewell. First seen at Hampstead Theatre, Denis Lawson's production stars Ewan

Barbican Theatre

Tel: 44-832 8287

- The Merchant of Venice by Shakespeare. Royal Shakespeare Company production with a cast including Clare Holman; in repertory to Mar 9
- Measure for Measure: by Shakespeare. Michael Boyd directs a Royal Shakespeare Company production with a cast including David Calder; in repertory to Mar 14

Théâtre des Champs Elysées

Tel: 33-1-4952 5050

- Anna Karenina: morning recital by the cellist of works by Bach and Hindemith; Feb 21

Théâtre du Châtelet

Tel: 33-1-4413 1730

- Munich Philharmonic Orchestra:

Grand Palais

Tel: 33-1-4413 1730

- Munich Philharmonic Orchestra:

Musée d'Orsay

Tel: 33-1-4413 1730

- Musée d'Orsay:

Centre Pompidou

Tel: 33-1-5804 4000

- Musée d'Orsay:

Centre Georges Pompidou

Tel: 33-1-5804 4000

- Musée d'Orsay:

Centre Georges Pompidou

Tel: 33-1-5804 4000

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- Musée d'Orsay:

Centre Georges Pompidou

Tel: 33-1-5804 4000

- Musée d'Or

Weekend Investor

Wall Street

Ding dong Dell, it didn't do very well

John Labate asks if the computer group's problems mark a trend

Investors on Wall Street can be forgiven for feeling a tad more exhausted than usual this weekend. News moves shares, be it the latest dire sign out of Brazil or a warning from Dell Computer, the lack of unambiguous events can be even more frustrating than a surfeit of clear, fast-breaking news stories.

With the earnings season largely behind the market, the result has been two weeks of very volatile trading. One or two days of sharp rises, followed by an equally sharp correction the next.

For the moment, such confusion is not limited to the stock market. The hot national gossip for the week centres on whether First Lady Hillary Clinton will try for a US Senate seat in New York and whether she can defeat the expected Republican candidate, the city's mayor, Rudolph Giuliani.

And in baseball, no less, debate is raging about the stunning news that Yankee team owner George Steinbrenner has snatched away star right-handed pitcher Roger Clemens in exchange for the team's own star left-hander David Wells. A clear good or bad? Uncertain.

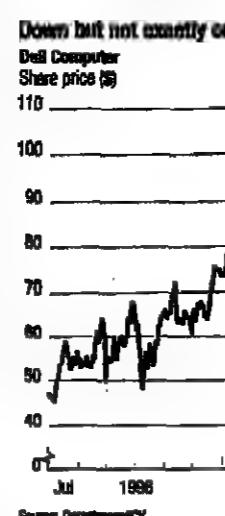
In the stock market, this week's leading uncertainty centred on Dell Computer, and the fallout was a drag on confidence in the whole technology sector.

Rumours began to swirl well ahead of Dell's official earnings release late on Tuesday that the company would fall short of expectations.

Most companies would envy having even Dell's "disappointing" results, which showed that the company's revenues for the latest quarter were up 38 per cent, less than had been expected.

Earnings were up a stunning 35 per cent but even that was not enough for investors, who had already begun selling the shares the week before.

The Texas-based company explained that the sales shortfall arose when it failed to cut prices far enough to compete against its rivals. The most recent figures on gross domestic product, retail sales, and housing remain robust and, in some cases, exceed the most bull-



ish expectations.

Trade data released yesterday added to the mounting pile of evidence that the US economy has plenty of ride left.

The deficit narrowed in December to \$13.75bn, a big surprise to analysts who had thought that the already strong 5.6 per cent GDP growth rate for the fourth quarter might be adjusted even higher as a result. That could mean fourth quarter GDP could near 6 per cent.

"If the trade gap is really on the mend, we could have the strongest year of the decade in 1999," said Peter Canale, US investment strategist at Morgan Stanley Dean Witter in New York.

The bond market has already adjusted to this new order of economic robustness, sending yields sharply higher in recent months. For watchers of the Federal Reserve, an interest rate reduction later this year appears to be out of the question, with more wondering if the Fed's next move will be to raise rates to cool economic growth.

Of course, a strong economy in 1999 bodes well for stocks, but too much of a good thing, leading to interest rate rises, could make for an even more volatile time during the second half of the year. By then, at least, the present period of uncertainty should be a distant memory.

Dow Jones Industrial Average

Monday Closed Tuesday 4,287.03 + 22.14 Wednesday 4,195.47 - 101.56 Friday 4,256.63 + 103.16

Source: *Financial Times*

Price Change % 2d week 2d week

FTSE 100 Index 6,631.2 +0.2 6,778.0 4,646.7 Strong signs in financial sectors

Doller 87 -16 302 436 302 and insurance firms

British Telecom 1,814 -74 100 17 Disappointment over new deal

DBS Management 1,427.4 -42 333 331 Ending of Treasury position in oil-refining

Euromaxx 77 -11 322.6 274 Large restructuring costs in oil & gas

Metro 4 630 -85 355 320 Big buyer in Paris

Pace Micro Tech 148 -354 181.6 36 Better than expected results

Powergen 785 -724 3,976 701 First digital contract in US

RJR Mining 651 -12 170 474 Workers over industrial action

Rank Group 2,225.4 -154 421 181 Confident statement

Salvation (G) 631 -11 129 744 Oil, cross costs

Sidew 1,824 -654 1,020 846 Other than Desktop

Woolwich 4,654 -54 550 307.9 Consolidation in sector

Woolwich 395 -48 368 300 Well-received figures

London

The rush to return cash

Why the surge in payouts? asks Philip Coggan

You would expect to get cash from a bank. But not quite so much of it. Halifax and the Woolwich were doing out the readers this week, announcing plans to distribute £1.5bn and £2.3bn respectively to shareholders in the building societies turned banks.

The steady return of cash to shareholders has been one of the underlying themes of the recent bull market. Over the 1986-97 period, for example, the amount of equity in issue on the stock market fell by 22.6%.

According to Credit Suisse First Boston, there were \$14.2bn of share buy-backs last year and a further \$15bn are expected in 1998. So, equities have been lifted by a classic combination of reduced supply and increased demand as low interest rates cut the attraction of rival investments such as bonds and cash.

Financial theory is generally in favour of returning money to shareholders. If companies have cash and no profitable projects in which to invest it, so the theory goes, they are duty bound to give the money back; shareholders can then use it to invest in companies that do have plans to expand.

It even makes sense for companies to borrow money and buy back shares. The interest on debt is tax-deductible for companies, the payment of dividends is not.

Holding cash on the balance sheet, at a time when interest rates are falling, is a drag on earnings per share.

Furthermore, calculations of economic value added (Eva), one of the most fashionable measures of corporate performance measurement, are enhanced by the substitution of debt for equity.

Finally, the government's abolition of the dividend tax credit, and the coming disappearance of advance corporation tax, makes buy-backs more attractive for companies and institutional investors.

There is only one flaw in this rosy scenario. Another foundation for the bull market has been the supposition that the UK corporate sector is flourishing and has very healthy profit prospects; after all, the FTSE All-Share index trades on a price-earnings ratio of nearly 22.

But if the UK corporate sector is doing so well, why is it giving money back to investors?

Surely it should be tapping them for new money to pour into all those profitable opportunities? Even if giants such as the Halifax have cash to spare, there should be smaller, fast-growing companies that are calling on investor capital.

However, in the whole of 1998, there were just 11 rights issues of £50m or more. During the year, there were only 58 stock market flotations, raising \$2.9bn in all, compared with the 100 issues that raised \$6.7bn in 1997.

According to KPMG Corporate Finance, the fourth quarter of 1998 was the worst period for flotations in almost a decade.

The picture does not seem to have changed with the new year. William Hill, the bookmaker, was this week forced to cut the share price of its new issue because of weak institutional demand.

The desire of new issues seems to be a function of the two-tier market that London has become. Investors are eager to buy the blue chips in the FTSE 100 index but far less keen on small and medium-sized stocks (this trend was partly reversed in the first few weeks of 1998, but by nowhere near enough to disrupt the longer-term pattern).

While the Footsie stocks trade on a p/e of 24.6, the SmallCap (ex-investment trusts) index can manage a rating of only 15.4. Smaller companies have steadily exited from the market, via management buyouts and takeovers, amid disillusionment with their share prices.

This points to a new form of business cycle. In a traditional cycle, when returns on capital are high, business rushes to invest, chasing up the cost of capital and bringing down the returns. Capital becomes idle as firms close down, allowing returns to rise and so on. In the new cycle, it will be executive wages that are the key, with companies driving up top salaries until they erode their profit margins.

The corporate sector will become more like the movie business where Siy and Arnie get their \$20m whether or not the film makes money.

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In the good old days bank managers were more paternalistic

chances of increasing profits is to merge with a rival and cut costs.

But that re-opens the original question: where are the profitable UK projects? One answer might be that companies are using debt to finance expansion. This has happened to some extent: issues of UK corporate bonds rose from £3.5bn in 1996 to £6.8bn last year, according to Barclays Capital.

Another is that the corporate sector has less need for capital than it used to. There is less demand for new steel mills or new car factories, since the business giants of the future operate in fields such as software or entertainment where intellectual capital is more important than physical counterpart. Rather than pay up for plant and equipment, companies will have to pay top dollar for executive talent – a trend that does seem to be happening.

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Highlights of the week

	Price yester	Change +/-	2d week High	2d week Low	
FTSE 100 Index	6,631.2	+0.2	6,778.0	4,646.7	Strong signs in financial sectors
Doller	87	-16	302	436	Job cuts and insurance firms
British Telecom	1,814	-74	100	17	Disappointment over new deal
DBS Management	1,427.4	-42	333	331	Ending of Treasury position in oil-refining
Euromaxx	77	-11	322.6	274	Large restructuring costs in oil & gas
Metro 4	630	-85	355	320	Big buyer in Paris
Pace Micro Tech	148	-354	181.6	36	Better than expected results
Powergen	785	-724	3,976	701	First digital contract in US
RJR Mining	651	-12	170	474	Workers over industrial action
Rank Group	2,225.4	-154	421	181	Confident statement
Salvation (G)	631	-11	129	744	Oil, cross costs
Sidew	1,824	-654	1,020	846	Other than Desktop
Woolwich	4,654	-54	550	307.9	Consolidation in sector
Woolwich	395	-48	368	300	Well-received figures

Peter Martin

Life in the land of the free

The race for minds is never more competitive

It is often said that the most powerful word in advertising is "free". If you ever doubted it, look at the response to two freebies on two sides of the Atlantic.

■ In the UK, Dixons' FreeServe internet service, launched last September, has 1m subscribers and, on some calculations, has added up to £2bn to the company's market capitalisation.

■ In the US, a start-up company called Free-PC, which plans to give away free Compaq computers worth perhaps \$500, received 500,000 requests in two days from people willing to subject themselves to a screen permanent border with advertisements.

It is still a private company but the net was crowded with queries about how long it will take to go public.

"Free" is becoming synonymous with "internet". The combination is synonymous with "hot stock".

With a free computer and modem, you can obtain a free internet connection, free news, free software, free share prices, free electronic magazines, a free e-mail service, and a free mailbox to conceal the fact that you are e-mailing for free.

You can auction your goods for free, play free online games and set up a free online calendar. In fact, you can even go beyond free: at a web site called Cybergold, 1.2m people have signed up to receive tiny payments in return for renting their attention to advertisers.

What is all this about? Has the world gone mad? Yes – and no.

The "free" boom is the result

of the intersection of four trends. Two of these relate to changes in business; two of them – specifically to investors – stem from developments in capital markets.

The first of the business changes is the increasing acceptability of advertising. There is nothing new about intrusion from commercial messages – anyone who reads a paper, watches television or listens to radio has been dealing with it for years.

But advertising seems to be making its way, with remarkably little complaint, into areas that have previously been accepted as private: computer screens, rented videotapes, even – in one daring Swedish experiment – telephone conversations.

Consumers seem prepared to put up with this if the benefit they get in return is good enough.

Better targeting of advertising is one reason for this; an advertiser who is not an annoyance, Free-PC takes this trend a step further: when you sign up, you answer questions about your lifestyle and interests, so that ads that pop up on the screen are chosen to attract you.

Similarly, when you type a word into an internet search engine, the ad that appears alongside your answers is related closely to the topic you are asking about. This is much less irritating than irrelevant advertising.

The increasing presence of advertising is linked closely to the second business issue: companies' growing awareness that

the only really scarce resource these days is public recognition. The rush to grab space in people's minds – and the importance of being first in this process – has been illustrated vividly by the success of online businesses such as Yahoo and Amazon.com.

Grabbing that mental space requires advertising; but it also requires a compelling proposition – and nothing is more compelling than something for nothing. Get the audience by using the word "free"; work out how to make profits from all those eyeballs later.

Two developments in financial markets reinforce this trend. Low long-term interest rates have reduced the discount rate investors use in valuing future earnings. It no longer seems so stupid to pay good money today to generate future returns – even if those returns are highly uncertain in timing and scale.

Low interest rates have helped to create a bull market, lowering implied discount rates

Metropolis

Going to the dogs in LA

In Beverly Hills, pedigree pets play up like celebrities. Christopher Parkes capers with canines

Cameron Diaz was not the only one who had been having a bad hair day in *There's Something About Mary*. But for Alabama Slammer, her female co-star, the application of sticky substances to her hairdo was the least of her woes.

Slammer, an amiable Border Terrier bitch, suffered seven weeks of back-combing and hair-raising harassment in the service of art. Untrained, mussed and lacquered right, she laboured seven days a week, 12 hours a day. "And after all that her best work ended on the cutting-room floor," complained Gary Wolf.

Wolf, the Hollywood Hills breeder of Slammer, was displeased. His protégé will perform a somersault for a scrap of jerky, but was not allowed to show her finer points in a screen outing which earned her \$200 a day.

He was not so much discouraged that she was upset by a double as by the film's failure to show off her gait and conformation. "The portrayal of the Border wasn't that good," he said.

But Kim Lindemoen, canine impresario, proprietor of Kim's Exotic Critters, and Slammer's owner, suggested he ought to be thankful the creature appeared disguised as a mutt. "I told him not to worry; no one will know what breed she is."

Sure enough, Border breeders report no big rise in demand. They are in any case rare

enough, with only 700 registered yearly with the American Kennel Club. There was certainly nothing on the scale of the *Furbystyle* frenzy which gripped indulgent parents after the release of *101 Dalmatians* two years ago.

For months after, pet refuges filled up as the owners discovered the spotted dog's photogenic appeal was far outweighed by its taste for table legs and the herbicidal qualities of its pee.

To a lesser extent, *As Good as It Gets*, starring an Affenpinscher and Jack Nicholson, had a similar effect on sales of a dog with a grown-up belligerence which belies its official status as a "toy" breed.

Although directors prefer pedigree dogs – because, thanks to the refinements of the breeders' art, stand-in "doubles" are easy to find – film work is considered undignified, even dangerous.

As in the case of the Dalmatians, it can attract undesirable publicity and encourage disorderly breeding. The alacrity with which uninformed consumers and unscrupulous breeders create and respond to pet fashions is

a source of constant aggravation to the purist dog folk who will go to drastic lengths to protect their reputation and breeding records.

Patty Kanan, for example, who supplied the late Frank Sinatra with seven King Charles Spaniels, is typical in that she will not sell dogs to people she does not know. "I don't want my blood bred into garbage," she says.

When a true aficionado sells a pet – typically a pup unsuitable for breeding – showing because of cosmetic blemishes – it goes to new home minus either its gonads or the American Kennel Club papers which alone can attest to its quality and the value of any progeny.

But if it is tough for some dogs, life can be even harsher for the owners who follow the hunt for AKC championship points. Success demands dedication, money, a deep appreciation of star quality, an unlimited capacity for cut-throat schmoozing, and a command of elementary witchcraft.

All are in ample supply in Los Angeles and were on display to full effect at the Kennel Club of

Beverly Hills winter show last weekend. The stars were out in force, at least in name. Border Terrier Ginger Spice, neatly trimmed, moustachios a-twinkle, was there with Mr Wolf.

Bill Cosby was not there in person, but Blossom, his Lakeland Terrier, carried off the John O'Malley Memorial Trophy for

whose affection for Black Cocker Spaniels is one of the few emblems she keeps to herself.

Fearful of harassment from the unpredictable masses, celebrities keep away from most public events. But the KCCH spectators were far more interested in the real stars: the dogs and their influential professional handlers.

There was Clay Cody, for example, a look of the young Van Johnson around the jaw with a touch of Wheaten Terrier in the coat, who ranks as one of the classiest handlers in the business. "Once a judge sees a guy like him in the ring he will always give his dog a second or third look or more, and that's not good news for the other dogs," said one exhibitor.

When not busy preparing Blossom for her comp, Cody was out in the show rings with his other charges, practising crotch lifts, tail-walking and that lop weirdly reminiscent of Groucho Marx at speed which characterises the dog wranglers' gait.

Other absentee notables included Steven Spielberg, despite a large turn-out of the King Charles Spaniels he keeps at home, and Oprah Winfrey,

earning professionals in the dog world of the west, with interests which include Arizona's exclusive Applewood Pet Resort where rooming costs vis à vis those of the best hotels.

With pedigree dogs selling for \$1,000 to \$10,000 apiece – a good Border costs \$1,200 or \$200 per full-grown pound – there is a deal of money in this sport. Peter Gelles, fresh from winning at Westminster, the New York equivalent of Britain's Crufts, with his Australian Terrier, Smart Alec, knows the numbers. A serious "campaign" for championship can cost an owner \$100,000 in a season.

Gelles, a lawyer (only his dogs can truly love him, said an alleged friend), pointed out that air fares for the entourage, hotels, show entry and handling fees can mount quickly in a big country, where top dogs may turn up in 20 shows a year. Bill Bergum, a senior judge, said he could count on 75 outings a year.

Indeed, there was a travel-worn look to many of the exhibits and visitors. Even Blossom was to be seen snoring on her haunches

atop her grooming table.

A gentleman in tweeds with a brace of full-grown Irish Wolfhounds at his side was telling how these monsters grow "visibly" from 1lb at birth to 100lb at six months, when, like collapsing deckchairs, they slumped and deposited 300lb of smooching canines on his ankles. An English Springer Spaniel, instructed to lie and stay in the obedience competition, overdid it and nodded off into elimination.

But the humans could not afford such luxury. There were points to be counted, cards to be marked, competitors to be watched. Gary Wolf patrolled the rings relentlessly. Ginger at heel.

Even she was working, at 18 weeks old she was "socialising" to condition her for her future career in the ring where bad manners cost points. Wolf's bloodlines were doing well at the show. But once again he was disappointed. "All but one of the Borders were mine," he said.

By his account the competition had chosen discretion as the better part of valour and gone off to try and pick up points at lesser shows in northern California and Arizona. "They knew their dogs would be cannon fodder for ours," he said.

Alabama Slammer, meanwhile, was enjoying her life as a film star, sleeping on her owner's bed, and playing up as celebrities will. "She's throwing her dish around now," said Lindemoen. "That dog needs a gig. God help us."



Sorry Seymour, our relationship is over. After what you have done, our secret is not safe with me any more.

Professor Seymour Bailes and I had built up a mutual trust over three decades – I trusted him to tell me the truth about his scientific work with genes and he trusted me not to write about anything he insisted remained confidential. It had proved mutually beneficial.

We first met in 1977. I was a student at the London Biological Institute; he was a lecturer, clearly going places. The catalyst that brought us together was the election by the students of a toy chimpanzee to the board of governors in protest at a lack of democracy. It caused a riot.

I sat drinking coffee with him one afternoon while students and police clashed outside, barely visible through the tear gas, when he sat up, lowered his brow and peered towards a banner. It read: "Human rights for students and chimps."

In a moment Bailes had changed; the ordinary, well-meaning lecturer had fire behind his eyes; it even glowed from his ears. Within months he had become one of the leading experts on gene technology, I his closest confidant.

Today, it has all gone wrong.

It's been a bit of a strain on the wife. There she sits in our Manhattan apartment amid the balls of packaging twine, heaps of expanded polystyrene chips and rows of boiling kettles, waiting for the next order. But then, nobody said life as a billionaire would be easy.

The idea came to us one day when we heard futurologists predicting that tea-drinking would be the next big thing after the coffee bar had peaked.

We could have just mimicked Starbucks, the US coffee house operator, and set up a chain of designer tea houses. But then we had a better idea. Why not combine the success of Starbucks with the even greater success of internet companies such as Amazon.com, the on-line book retailer, and take tea into cyberspace?

Now, thanks to E'Tea, our on-line tea house, consumers no longer have to scour the streets

True Fiction

A gene genie who outgrew the bottle

As the world fills with familiar faces, Peter Whitehead gets away with murder

It began with his work on chimpanzees. Fired by the words on that banner, he set about manipulating and modifying the genetic structure of chimps and gorillas. The success of his work is measured by the current calls in New Zealand for basic rights for the great apes. He has made real the idea expressed on that banner in the 1970s.

Supporters of human rights for apes assert that the genetic make-up of a gorilla is 97 per cent identical to human make-up. What they do not know, however, is that it is only captive primates that are this close to man. Wild beasts are only 82 or 83 per cent similar.

It is all Bailes' work. He wanted chimps to enjoy human rights but knew that, first, he must make them more human. His very best genetically modified apes, with 99.1 per cent human genes, are now so close to being genuine men and women that they are barely distinguishable in a crowd. Even his prototypes – much of the



You've read the columns, now read the book. *TRUE FICTION* already enjoying a second printing – is a Portuguese paperback featuring 50 short pieces of intelligent fiction from FT Weekend. Buy it from bookshops, price £7.99, or direct from FT Weekend, price £5.99 (postage extra). From Tim Gurney, 10th Floor, International House, London EC2R 8RR.

This week, new readers can get a copy of the regular *True Fiction* column in FT Weekend. Send us double postage. From next week, we'll send it to 100 random readers.

cast of *Planet of the Apes*, for example – were eerily human.

But it is what Bailes has done to me personally that forced me to terminate our friendship. He has modified me. I was too easily persuaded.

We were in Los Angeles, he presenting to a scientific conference, me reporting on it.

the bedside cabinet. Bailes was silent for a while and eventually said: "Give it to me."

"Why?" I was growing slightly suspicious of him, even then.

"We still trust each other don't we?"

I handed him the hair.

He was nowhere to be found the following day but on the next he was glowing with his old fire. "Come," he said, "come."

I went with him to a shimmering laboratory a block north of the Holiday Inn in Santa Monica. The sound of Pacific breakers just about reached us.

"Now Peter, you must trust me one more time. You will love what is going to happen to you but I can't yet explain what it is. You do trust me?" he asked again. We had come too far together to protest.

After the operation, I demanded an explanation. When it came, I was speechless. He had made me genetically identical to Leonardo DiCaprio. He had taken the hair I found, created a warrior gene – one that will work its way through an organism changing all genetic material to make it identical to itself – and modified me with it.

He thought I would be pleased.

"Oh my God, Seymour."

"That's right," he replied, clearly pleased with himself.

Within two months I was 1in shorter. Some hair had regrown and it had all turned a shade or two lighter. Three months later I had lost a further 8in in height, my shoe size had shrunk to nine and my facial features had become chubbier, smilier.

At home, my understanding wife took it all in her stride. A scientist herself, she even seemed to admire my courage in taking part in such a ground-breaking experiment.

Until, that is, about a year ago when she began to notice changes in herself. Her shoe size grew to a nine, her face became

identical to Leonardo DiCaprio. He had taken the hair I found, created a warrior gene – one that will work its way through an organism changing all genetic material to make it identical to itself – and modified me with it.

"Who else knows how to do this?" I pressed.

"I am a pioneer," he said haughtily. "No one knows what I know. But I am about to change."

On hearing this, I took out a gun and shot him in the head.

And in a world now full of Leonardo DiCaprios, I'm never likely to be caught.

Fascinating.

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NORTHERN FRANCE

The Grand Hotel A right royal Paris palace

The Meurice is undergoing a facelift for the next millennium. Giles MacDonogh looks at the work

The palace hotel is an endangered species. Its most vicious predator is the large, multinational chain with its advocacy of "systems" and easily accountable (*le mot juste*) uniformity. Each palace, on the other hand, is unique. It has its own character grounded in a century or more of history. It must remain true to its traditions, or it is no more.

The Meurice in Paris is one of the oldest "palaces". It was actually founded in Calais in 1772 by Charles-Augustin Meurice who ran a coaching service taking English "millords" to Paris. An inn, he must have thought, could provide them with a good night's rest before they moved on. That hotel is still there; still the best in Calais.

Taking advantage of the disruption to property caused by the Revolution, Meurice's son, Louis-Augustin, opened a hotel in Paris's rue du Rivoli in 1817. It was called "Meurice's City of London Hotel", giving an indication of an almost entirely British clientele. In 1832, it moved down the street to its present position behind the arcades overlooking the Tuilleries Gardens.

The Meurice connection ceased in 1840, but the hotel remained true to its vocation. In 1849, it was favourably compared to Mayfair's in London, which was to become Claridge's, and already considered the place to stay. Important acquisitions in 1846, 1866 and 1910 gave the hotel the extent it enjoys today, as well as its three separate entrances.

In 1907 it was almost completely rebuilt. This was the golden age of the palace hotel, when the Crillon and the Ritz also achieved their present shapes. The marvellous public rooms were installed on the ground floor. The neo-roccoco Salon Pompadour and the dining room must rank as some of Paris's finest interiors.

With a few modifications, this is the hotel we see today. The best rooms are naturally to be found on the Tuilleries side. Even at low level the view is superb. From my suite I enjoyed a panorama stretching from behind the Louvre, to the dome of the Invalides, to the Eiffel Tower. The Crillon has a few rooms like this, but the Meurice has many more.

My room was immense. An entrance hall was a sort of *salle des pas perdus* leading to a Louis XVI-style salon and bedrooms giving on to the Tuilleries. On the

bare cooked almost black in Gigondas wine. I finished with an interesting dessert which revolved around the theme of tea. The wine list is voluminous, but you may safely ask the sommelier who is knowledgeable without being pompous.

In 1997 the Meurice was acquired by the Audley Group, a company owned by the Sultan of Brunei that includes the London Dorchester.

It has also been managed by the Aga Khan's company, Ciga, which was mopped up by Sheraton after its tragic demise. But, as the Aga himself, and not the company, owned the hotel it eluded the Sheraton's grasp. We can all sigh with relief that it is not part of Sheraton's "luxury collection" - a position that has virtually nullified the distinction which formerly reigned in some of the world's greatest and grandest.

The Meurice is still partly under wraps and there are ambitious plans for the ground-floor salons. The dining room will stay the same, but the glass roof over the winter garden is to be removed and it will become a tea room with a "feminine atmosphere". Men will gather in the bar - "mancave atmosphere" - which is to be installed in the Salon Fontainebleau with its pretty wall paintings.

What concerns me a little, is that the Salon Pompadour will be used for private functions only. Surely such a wonderful room should be more easily accessible?

Still, if the Sultan's costly restoration of the Dorchester is anything to go by, the work should be tastefully carried out, and the Meurice will enter the next millennium as the palace hotel it was conceived and designed to be.

Hôtel Meurice, 228 rue de Rivoli, Tel: +33 1 53 53 10 10. Doubles from FF 2,950. Dinner à la carte FF 7500 before wine. Menus FF 250 and FF 450.

Even the lifts are palatial

court yard there was a little maze of dressing and bath-rooms. I imagined that it would be very easy to conceal a lover from a jealous husband; and with so many exits and entrances, there would be little chance of their running into one another.

Dinner is a must. A pianist plays in the great stone winter garden, even if the excellent *sorites lyriques* in the dining room are currently in abeyance.

The room itself is a feast of marble and gold, and as such awakens the most languid appetites. The food has always been good. I enjoyed a terrine of foie gras sandwiched between slices of sour pear, and a complicated individual pie filled with caps, pickled onions and sweetbreads.

Better still was a dish of

...update...update...u:

FULL-BODIED: Can it be that some wine-walks operators cancel many of their tours? Not us, say Arblaster & Clarke, all ours go ahead as per brochure (from 01730-883344). New tours this year include the Loire and Chablis, and Bordeaux.

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GOING NAP: If you're not sure you can make that Sun flight (or ferry), give Superbreak a call on 08705-499499 and they'll send you a brochure of UK airport and ferry port hotels; have a proper night's sleep, then stroll to check-in. Prices from £23.50; many include long-term parking.

LONE RANGERS: Sovereign has published a

specialist brochure for solo travellers: beach, ski, cruising and touring holidays, in places from Sri Lanka to Margarita (off Venezuela) - Barbados and Crete among them. Call 0990-768373.

ARDENNT LOVERS: May 24 is the date of the annual marriage mart in the Château d'Ecaussinnes-Lalaing, in the Belgian Ardennes. Singletes sign in, listing their virtues and those of their desired spouse, and are introduced to possibilities. Food and entertainment provided. Details from the Ardennes tourist office, 0171-887 0311.

John Westbrook



Laon cathedral: its majestic sculpted cattle on its facade in silent tribute to the animals that carried the stone up the hill

Dader Cry/GRT Photo

Perfect peace in Picardy

Antony Thorncroft visits a somewhat sad, rural, frontier region

Picardy is perhaps best known for its flowers - for the roses that bloom in song, and the poppies that mark the graves of thousands upon thousands of soldiers who died there in two world wars.

If it is visited, it is for its battlefield in particular the Somme, a meandering river which today runs through one of the most peaceful and unthreatening landscapes in Europe. But most British travellers hardly notice the region, as they rush from the Channel ports to Paris and the south.

Picardy has been both blessed and cursed through the centuries. It is blessed with fertile soil, which enriched it early and provided the wealth for the great Gothic cathedrals, such as Laon, Soissons and Beauvais, which rise monolithically from its flat lands. It is cursed with being a border region, fought over by France and its ever-changing enemies to the north.

These battles are ingrained into its landscape. In the bucolic dairy region of Thielache, near Vervins, cluster about 60 fortified village churches, which resemble shorn poodles, their rear often pale-stoned, 13th century Gothic, while their bulky towers at the front are

bolstered with defensive brick. Once the enemy was spotted approaching the village, people huddled high up in the towers, raining missiles down on the raiding parties.

These were not distant wars. Most of the churches were fortified late in the 16th century and stayed embattled until the early 18th century. Peace came slowly to this region. It is a sobering experience climbing narrow staircases in churches at Bapaume and Englaucourt to discover the large dusty hiding spaces and to peer through slits that supported guns rather than arrows.

Some of the towns, such as Soissons, still show their war scars, with large rebuilt areas, patches of 1920s housing here, and apartments erected after another war 20 years later there, an architect's heaven. The great abbey church of Saint Jean des Vignes is now nothing but a silhouette, an imposing Gothic facade, but the cathedral survives, with its masterpiece by Rubens and one of the most beautifully rounded east transepts in France, a triumph of early Gothic.

Laon was more fortunate. Perched on a hill, it was quickly taken by the Germans twice this century and survives intact as a consequence. It is mothballed. A cable car joins old Laon to its modern suburbs below - but why leave the quaint walled city?

The cathedral is a dream, completed in little more than a generation in the late 13th century, and hardly touched since. Chances are that it

will be empty, with its long uncluttered nave, its tall arches soaring heavenwards, its stained glass rose window. A silent, awesome vigil of prayer to the Gothic.

Outside, there are sleepy narrow streets with 17th century houses and earlier, a Romanesque Tamplar church of the 11th century and a vaulted hospital of the 13th.

Close to Compiègne is Chantilly. There is not much sign of any lace but there are two of the most fascinating buildings in France. One, the grandiose 16th century stables of the Princes de Condé, houses the Living Horse Museum, which tells you everything you need to know about equestrian life, with the help of 30 horses.

The château itself was given such a make-over last century by the Duc d'Aumale that it looks like some castle from a fairy tale. But, if the exterior is overblown monumental trumpery, inside is one of the finest art collections in France, including works by Raphael, Fra Angelico, Poussin and hundreds more.

It is hard to believe that gazing southwards from the town walls lies the Chemin des Dames, which in French history is as sad a name as the Somme. Many thousands of Frenchmen died in 1917 trying to recapture the strategic plateau and then Laon. So great was the slaughter that the army mutinied, giving the memorials that dot the landscape an added gravity.

Today, Laon is deserted out of season. It is well worth a visit, if only for the sculpted cattle which protrude like gargoyles from the towers of the cathedral, the masons' tribute to the oxen that carried the stone up the hill for the building, and a reminder of the closeness of

the people left for nature and the land.

But France has won most

of its wars, and its glory

days are also recorded in

Picardy. In a clearing in the forest which surrounds Compiègne is the railway carriage in which the Germans surrendered in 1918 (and in which Hitler forced a French capitulation in 1940). It is now a museum, and a brief stop on the way to Compiegne, an elegant town as you can find in France.

It is close to Paris, and particularly its forest, made it a popular resort for French kings for centuries, but it was most favoured by the Napoleons. In the château there are the rooms in which Napoleon welcomed his new Austrian imperial in-laws after his marriage to Marie-Louise, the very rooms in which Louis XVI had entertained the relations of his Austrian bride, the subsequently guillotined Marie-Antoinette, the great aunt of Marie-Louise.

There must have been many subjects best avoided at the second gathering. Also intact are the ornately canopied beds in which they slept, both singly and together.

The palace was also much favoured by Napoleon III, who filled it with grand Second Empire suites of furniture to match the classical designs favoured by his uncle. For anyone bored with old palaces, seeing how the parvenu Napoleons enjoyed their wealth is exhilarating. In spite of the rail way and gas lighting they still lived in public, but in much greater comfort. For

After suffering too much attention from history Picardy is being bypassed. As a result it can still offer pleasures that the British fear France is losing - traditional local food and inexpensive hotels. With Lille just two hours from London, and Picardy just 30 minutes from Lille, this self-contained, somewhat sad, rural, frontier region is perfect for that last weekend.

■ **Antony Thorncroft travelled to Picardy by Eurostar (0990 186 186) and stayed at the Hôtel de la Bonnière de France, Laon, 03 23 23 31 44.**

More information can be obtained from the Picardy tourist office in London: 0171-836 2232. In the US call +1 202 659 7778.

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SUMMER VARIETIES

England's Glory

Churchill's beloved homestead

Christopher McCooey, in the first of an occasional series, visits Chartwell in Kent

En before you go into the house, which has all manner of photos and pictures and personal belongings, Churchill's presence can be felt.

As you walk from the car park to the front door, the gravel path takes you past a series of ponds, constructed by Churchill as a water garden. Beside one of them is a wooden chair and box, painted sky blue, and reached by stepping stones.

It was his favourite place in the garden and you can almost see him sitting there, musing, painting, occasionally dipping into the box to feed the golden orfe. Churchill's home for more than 40 years, is nothing less than a shrine to one of the greatest Englishmen who ever lived.

The house that Churchill first saw was very different from the one that visitors see today.

Back in July 1921, it was an ugly, Victorian red-brick mansion with tile-hung gables and polychrome windows facing somewhat perversely, towards the hillside and main road rather than the glorious views out across the Kentish Weald in the other direction.

It was almost overrun by purple rhododendrons and the place's gloomy nature

was increased by the creeper-covered walls. Unfortunately the house and 200 acre estate had a reserve price of £25,000, which Churchill could not afford.

However, his fortunes improved towards the end of that year when he inherited money from a distant cousin and received advances totaling £22,000 from British and American publishers, for the first volume of *The World Crisis*, his history of the first world war.

In the autumn of 1922, the house and 30 acres of land had been sold off and were seen on the market, and Churchill was in a position to buy Chartwell for £10,000. The seller was A.J. Campbell Colquhoun, a contemporary of Churchill's at Harrow and with whom he had competed for bottom place in the fourth form.

Clementine, Churchill's wife, had reservations about buying the house - it would be expensive to make habitable and its isolation meant it would be difficult to

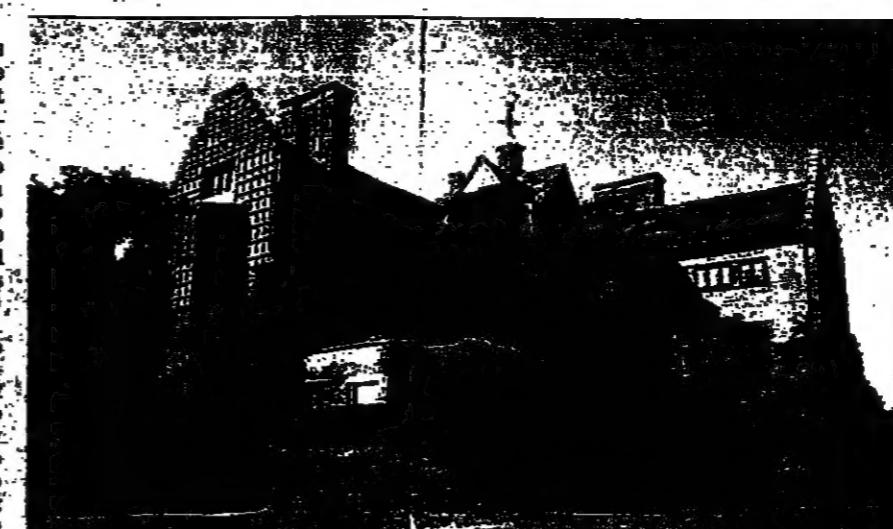
recruit and keep servants.

Churchill saw the house's great potential - later he would say that he bought it for the view - and immediately commissioned the architect Philip Tilden to convert and extend it. In effect, it was transformed to a family home which was to give Churchill unalloyed pleasure for the rest of his life.

The house itself was simply designed to make the best use of the setting. Churchill was so obsessed with Chartwell, so impatient, that the working relationship between the two became very strained.

Many years later Tilden concluded, somewhat ruefully: "No client that I have ever had, considering his well-filled life, has ever spent more time, trouble or interest in the making of his home than did Mr Churchill."

That is what you feel as



Chartwell: very different today from when Churchill first saw it

French-bred colt won many races for Churchill when he became an owner after the second world war.

Walter Nightingale, Churchill's trainer, suggested that Colonist be put out to stud after his racing days were over. The great man replied: "To stud? And have it said that the prime minister of Great Britain is living on the immoral earnings of a horse?"

The library of Chartwell is somewhat modest when you consider that it was created by a master of both the written and spoken word. Churchill revered books as material objects and as the distillation of a nation's history.

He loved to be surrounded by books, and received many as presents, but he bought them chiefly as practical tools for his work as a historian and journalist.

Chartwell was not lived in by the Churchills during the war because it was recognisable from the air and, hence, an easy target. How-

ever, in 1945, after the Conservative election defeat, Churchill was no longer prime minister, and he went back to live there.

In spite of his writings, Churchill was not a rich man and running Chartwell was a considerable expense. To ease the financial burdens, 17 benefactors bought Chartwell from Churchill and donated it to the National Trust in 1946 on condition that the Churchills could remain there for the rest of their lives.

After Winston died in 1965, Clementine did not want to continue living in such a big house on her own. She moved out but not before she had agreed to leave behind most of the personal items belonging to her husband. She also gave many of her own possessions so the character of the house might remain largely unchanged.

In effect, she allowed the Treasury to acquire the contents of Chartwell in payment of death duty. Without doubt this magnanimity makes Chartwell what it is today; instead of an empty shell, the house is an extraordinary memorial to an extraordinary man.

■ *Chartwell, Westerham, Kent TN16 1PS, tel: 01732 865358, is open from March 27 when the admission price will be £5.50 for adults.*

Fjords cast a dreamy spell

Nicholas Woodsworth feels the allure of Norway's far north

SAS Flight 372, the daily aircraft northward from Oslo to Tromsø, Alta and Kirkenes in the Norwegian Arctic, flies over one of the longest, most dramatic coastlines I know. Norway is a thin, attenuated country - if you flipped it over on its base, I figured as I sat five miles up gazing at a map of Europe, its far, Arctic tip would fall somewhere in the industrial suburbs just north of Rome.

For all its great length, however, almost the entire west coast of Norway is made of that most impressive of maritime combinations, deep water and high mountains.

Even from up here, with snowy white peaks rising in the background and the summer morning sun bouncing off a blue sea, the fjords looked as fresh and enticing as if they had just been made.

I was mystified. Then I remembered that most of my fellow passengers had already been sailing for nearly a week. If they were making the entire 12-day round trip - and many foreign travellers do just that, regarding the coastal cruise as the quintessential Norwegian experience - they had begun their journey far to the south in Bergen.

Flying is one way to see this part of the world; bus-ing it is another. Ten minutes before we were due to land in Kirkenes, a wall of thick, low-lying cloud, no more penetrable than the rocky side of a fjord, barred the way to the airfield.

I did not mind the five-hour bus trip that an alternative landing site made necessary. It gave me some idea of how remote, barren and unpopulated the treeless and windswept plateau of the northern interior is. Only 2 per cent of Norwegians live in Finnmark, the country's northernmost region - that is not many out of a total population of just 4m Norwegians. I now know why.

So when the bus finally pulled into the small coastal town of Vardo some 100km north of Kirkenes - famous locally because it possesses a rowan, the only tree for many miles around - it was like coming back to civilisation. It was better, it was like coming home. For there at the wharf, awaiting our delayed arrival, was the coastal steamer MS Nordlys.

Air travel may be fast, bus travel may be sure, but there is no doubt about it: ever since the *Hurtigruten*, or "rapid route" coastal steamers, were put into service a century ago delivering post and goods to isolated communities, they have been regarded as the most comfortable way to see this spectacular sea coast. The Nordlys, 400ft long, with eight decks and 460 berths, was a floating hotel. In no time I had dropped my bags in my

cabin and headed up to the observation lounge to watch our departure.

There was a rather curious atmosphere when I arrived.

The lounge was a large, carpeted room with canted, floor-to-ceiling windows giving a sweeping 180 degree panoramic view on to the surrounding seas. Most of the seats were already occupied by Britons, Americans, Germans, French, and a handful of other nationalities.

But there was no excited babel of languages. There was no great excitement at all. Nobody was asleep, but nobody was entirely awake either. They sat suspended, rather, in a sort of dreamy, hypnotic state, quite happy to gaze peacefully at the cliffs, mountains and glaciers that drifted gently past no great distance away.

I was mystified. Then I remembered that most of my fellow passengers had already been sailing for nearly a week. If they were making the entire 12-day round trip - and many foreign travellers do just that, regarding the coastal cruise as the quintessential Norwegian experience - they had begun their journey far to the south in Bergen.

As we came nearer the Lofotens, the channels grew narrower, the peaks higher and sharper

Now half-way and at the northern end of their voyage, they had long ago adjusted to another rhythm.

On most regular cruise ships there is little to be seen between ports but a flat, watery horizon - in that setting passengers, naturally, seek on-board diversion. But on a *Hurtigruten* cruise, the entertainment is the ever-changing spectacle passing by outside. Following calm inland passages and channels, the *Hurtigruten* is never far from land - indeed, so deep is the water in these fjords that the ships often pass, alarmingly, just yards from soaring rocks, promontories and islands.

After only an hour or two I found myself falling into the same hypnotic, dream-like state, soothed by the ship's movement and content simply to sit and watch. I settled more deeply into my chair. A *Brief History of Time*, one of those worthy books I had never got around to reading,

and now fear I never will, remained open on my lap at page one. Time, in fact, became something of a mystery. Minutes passed and turned into hours, grand scenery drifted by and yet, somehow, time seemed to stand still. It was only by 1230 that evening that I realised that time was standing still - the sun, still well above the horizon, was refusing to sink any lower.

My mind can understand, just about, the astronomical phenomena that give rise to the midnight sun. But my body was finding it considerably more difficult. With no real night and day, with nothing to mark the passage of time, internal clocks get thrown out of kilter and one's sense of reality becomes slightly and rather pleasantly unstable.

By three o'clock that morning I knew we had passed by the Nordkapp - the most northerly point of Europe - but otherwise had lost my bearings.

Happily, there were two or three things that allowed the Nordlys' passengers to keep their feet firmly anchored to the deck.

The first was food. The breakfast buffet I faced the next morning was so vast it would have kept the Hindenburg itself firmly anchored to the deck. There was paté and pickled herring, fish roe and sweet brown Norwegian goat's cheese, pickles and beetroot, cereal and porridge, toast and crispbread, fried eggs and boiled eggs, sausages and ham, fresh fruit and juices...

I stopped here, for by this point I began recognising the wisdom of saving a little room for the shrimps, salmon and other northern-ocean fare served at lunch. It was just as well, then, that the Nordlys made punctual halts along the way - there are 30 stops between Bergen and Kirkenes - allowing passengers a little exercise and exploration.

In Hammerfest, the world's northernmost town,

I strolled, about looking at furry polar bear taddies, toy trolls, and a life-sized stuffed reindeer standing outside a souvenir shop - this is a town that makes the most of its northerness.

But there were other unsung towns that had a real flavour of the far north. In the harbour of the tiny fishing village of Oksfjord I watched as a teenage girl

with nose-studs and blonde hair climbed the ship's ramp. She seemed delighted - perhaps she was leaving to join an Oslo rock band. But as the Nordlys steamed out of the bay, we were followed by two terry and emotional parents in a motor-boat waving madly all the way. Not even Tromsø, with its 2am sunshine and jogging, dog-walking insomniac popula-

tion seemed so end-of-the-world. But it was the scenery itself that most held my attention.

As we sailed southwards towards the Lofoten Islands, the channels grew narrower, the cliff sides steeper, the mountains higher and more jagged. In the 13-mile-long Røsundet Strait, with chains of peaks rising 3,000ft out of the sea on either side,

we turned off into the Tro

lifjord, perhaps the most

magnificent fjord in Norway.

It was simply too tempt-

ing. In the Lofoten port of

Stamsund I jumped ship to

spend some time in these

stunningly beautiful islands.

Another *Hurtigruten* steamer

would carry me southward again in a few days. But as I waved goodbye to the

departing steamer I enjoyed

imagining that I was changing places, perhaps forever, with that girl with the spiky hair.

■ *Nicholas Woodsworth flew to Norway with Scandinavian Airlines, tel 0845 6072172.*

■ His cruise was organised by Scandinavian Travel Service, 2 Bergham Meads, Blythe Road, London W14 OHN, tel 0171-559 6666.

An impressive maritime combination: almost the entire west coast of Norway is made up of deep water and high mountains

Hugh Stoen/Tony Stone Images

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